

# **Brambles Foods Limited**

## **Report and Financial Statements**

31 December 2004

3229975



# **Brambles Foods Limited**

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Registered No: 3229975

## **Directors**

M J Cole  
H R Farquhar  
I P Kemp  
R A Morley  
G B Truman  
D G Gedge

## **Secretary**

I P Kemp

## **Auditors**

Ernst & Young LLP  
Citygate  
St James' Boulevard  
Newcastle upon Tyne  
NE1 4JD

## **Bankers**

Fortis  
Camomile Court  
23 Camomile Street  
London  
EC3A 7PP

## **Solicitors**

EMW Law  
Seckloe House  
101 North 13th Street  
Milton Keynes  
MK9 3NX

## **Registered Office**

13/15 Drake Court  
Riverside Park  
Middlesbrough  
TS2 1RS

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2004.

### Principal activity, review of the business and future developments

The principal activity of the company during the year continued to be the preparation and sale of food products.

The business continued to grow strongly during the year, a trend which is continuing into 2005.

### Results and dividends

Profit before taxation was £1,438,707 (2003: £1,240,820) on sales of £12,527,705 (2003: £10,457,014). A dividend of £600,000 was paid during the year (2003: £200,000). The retained profit for the year of £397,865 (2003: £665,597) has been transferred to reserves.

### Directors and their interests

The directors who served during the year and their interests in the company are as stated below:

	<i>Ordinary shares</i>	
	<i>2004</i>	<i>2003</i>
M J Cole	-	-
H R Farquhar	-	-
I P Kemp (appointed 23 March 2004)	-	-
J R Pearce (resigned 20 December 2004)	-	-
R A Morley	-	-
D H Gedge	-	-
G B Truman (appointed 29 January 2004)	-	-

Messrs M J Cole, H R Farquhar, I P Kemp, and R A Morley are also directors of the ultimate parent undertaking, Brambles Food Group Limited and their interests in this company are disclosed in the group financial statements of that company.

### Auditors

Ernst & Young LLP were appointed as auditors during the period following the resignation of S V Bye. A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



I P Kemp  
Secretary

29 April 2004

## **Statement of directors' responsibilities in respect of the financial statements**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditors' report**

**to the members of Brambles Foods Limited**

We have audited the company's financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 22. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

## **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Independent auditors' report

to the members of Brambles Foods Limited (continued)

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP  
Registered Auditor  
Newcastle upon Tyne

Date 29 April 2005

## Profit and loss account

For the year ended 31 December 2004

	Notes	2004 £	2003 £
<b>Turnover</b>	2	12,527,705	10,457,014
Cost of sales		(7,055,110)	(5,975,984)
<b>Gross profit</b>		5,472,595	4,481,030
Distribution expenses		(2,377,336)	(1,797,501)
Administrative expenses		(1,677,880)	(1,431,891)
Other operating income		13,092	13,092
<b>Operating profit</b>	3	1,430,471	1,264,730
Interest receivable and similar income	4	32,303	5,249
Interest payable and similar charges	5	(24,067)	(29,159)
<b>Profit on ordinary activities before taxation</b>		1,438,707	1,240,820
Tax on profit on ordinary activities	7	(440,842)	(375,223)
<b>Profit on ordinary activities after taxation</b>		997,865	865,597
Dividends	8	(600,000)	(200,000)
<b>Retained profit for the year</b>		397,865	665,597
Retained profit brought forward		1,381,605	716,008
<b>Retained profit carried forward</b>	17	1,779,470	1,381,605

### Statement of Total Recognised Gains and Losses

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £997,865 in the year ended 31 December 2004 and the profit of £865,597 in the year ended 31 December 2003.

**Balance sheet**

as at 31 December 2004

	Notes	2004 £	2003 £
<b>Fixed assets</b>			
Tangible assets	9	1,418,303	1,402,121
<b>Current assets</b>			
Stocks	10	426,071	236,003
Debtors	11	2,453,687	2,228,255
Cash at bank and in hand		369,956	370,025
		3,249,714	2,834,283
<b>Creditors: amounts falling due within one year</b>	12	(2,439,487)	(2,332,746)
<b>Net current assets</b>		810,227	501,537
<b>Total assets less current liabilities</b>		2,228,530	1,903,658
<b>Creditors: amounts falling due after more than one year</b>	13	(136,803)	(228,257)
<b>Provisions for liabilities and charges</b>			
Deferred tax	14	(162,977)	(131,424)
<b>Accruals and deferred income</b>			
Deferred government grants	15	(19,280)	(32,372)
		1,909,470	1,511,605
<b>Capital and reserves</b>			
Called up share capital	16	130,000	130,000
Profit and loss account	17	1,779,470	1,381,605
<b>Equity shareholders' funds</b>		1,909,470	1,511,605


H R Farquhar  
Director

29 April 2005



## Notes to the financial statements

at 31 December 2004

### 1. Accounting policies

#### *Basis of preparation*

The financial statements are prepared under the historical cost convention.

#### *Tangible fixed assets and depreciation*

Tangible fixed assets are recorded at cost.

Depreciation is provided at rates calculated to write off the cost less residual value of each asset evenly over its expected useful life, as follows:

Leasehold property improvements	-	over the life of the lease
Fixtures, fittings and equipment	-	10% - 25% per annum
Motor vehicles	-	25% per annum

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Leasing and hire purchase commitments*

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the lease and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represents a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

#### *Stock*

Stock is valued at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

#### *Deferred taxation*

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- Deferred taxation assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

## Notes to the financial statements

at 31 December 2004

### 1. Accounting policies (continued)

Deferred taxation is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### *Pension scheme contributions*

The company operates a stakeholder pension scheme for its employees. The company bears no cost in relation to contributions paid by the employees. The company also contributes to personal pension funds for four of its directors. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

#### *Government grants*

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

#### *Cash flow statement*

The company has not prepared a cash flow statement as it is a wholly owned subsidiary and its parent prepares full group financial statements including a group cash flow statement.

### 2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties during the year.

Turnover is attributable to one continuing activity, the preparation and sale of food products which is wholly undertaken in the UK.

### 3. Operating profit

	2004	2003
	£	£
This is stated after charging:		
Depreciation	183,849	182,205
Loss on disposal of tangible fixed assets	2,998	15,492
Auditors' remuneration - audit	18,000	10,000
Non-audit fees paid to former auditors	8,450	10,207
Operating lease rentals - fixtures and fittings	42,198	53,304
- land and buildings	74,934	65,352
	<u>13,092</u>	<u>13,092</u>
And after crediting:		
Release of government grants (note 15)	13,092	13,092
	<u>13,092</u>	<u>13,092</u>

### 4. Interest receivable and similar income

	2004	2003
	£	£
Bank interest	32,303	5,249
	<u>32,303</u>	<u>5,249</u>

## Notes to the financial statements

at 31 December 2004

### 5. Interest payable and similar charges

	2004	2003
	£	£
On loans and overdrafts	-	4,125
Hire purchase interest	24,067	25,034
	<u>24,067</u>	<u>29,159</u>

### 6. Employees

#### Employment costs

	2004	2003
	£	£
Wages and salaries	2,744,284	2,055,310
Social security costs	218,412	161,683
Other pension costs	12,743	3,622
	<u>2,975,439</u>	<u>2,220,615</u>

#### Number of employees

The average monthly number of employees (including the directors) during the year was:

	2004	2003
	No.	No.
Administration	18	12
Production	155	147
Distribution	48	51
	<u>221</u>	<u>210</u>

#### Directors' emoluments

	2004	2003
	£	£
Emoluments	286,196	186,647
Contributions paid to money purchase pension schemes	12,743	3,622
	<u>298,939</u>	<u>190,269</u>

The company makes contributions to personal pension schemes for four directors (2003: two).

The amounts in respect of the highest paid director were as follows:

	2004	2003
	£	£
Emoluments	87,061	54,235
Contributions to defined contribution pension scheme	4,992	-
	<u>92,053</u>	<u>54,235</u>

## Notes to the financial statements

at 31 December 2004

### 7. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2004 £000	2003 £000
Current tax:		
UK corporation tax	408,701	354,041
Tax under/(over) provided in previous years	588	(3,266)
Total current tax (note 7(b))	409,289	350,775
Deferred tax:		
Origination and reversal of timing differences	24,411	31,704
Prior year adjustments	7,142	(7,256)
Total deferred tax (note 14)	31,553	24,448
Tax on profit on ordinary activities	440,842	375,223

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are reconciled below:

	2004 £000	2003 £000
Profit on ordinary activities before tax	1,438,707	1,240,820
Profit on ordinary activities multiplied by standard rate of corporation tax of 30% (2002: 30%)	431,612	372,246
Expenses not deductible for tax purposes	1,500	13,500
Accelerated capital allowances	(24,983)	(27,777)
Deferred tax movement - provisions	4,500	-
Deferred tax movement - grant release	(3,928)	(3,928)
Adjustment in respect of previous periods	588	(3,266)
Total current tax (note 7(a))	409,289	350,775

(c) Factors that may affect future tax charges

The directors expect no material change to the effective rate of tax for the foreseeable future

## Notes to the financial statements

at 31 December 2004

### 7. Tax on profit on ordinary activities (continued)

(d) Deferred tax

Deferred tax is provided at 30% (2003: 30%) in the financial statements as follows:

	2004 £000	2003 £000
Capital allowances in advance of depreciation	173,261	141,136
Government grants	(10,284)	(9,712)
Provision for deferred tax (note 14)	<u>162,977</u>	<u>131,424</u>

### 8. Dividends

	2004 £	2003 £
Ordinary shares – paid	<u>600,000</u>	<u>200,000</u>

# Notes to the financial statements

at 31 December 2004

## 9. Tangible fixed assets

	<i>Leasehold property improvements</i>	<i>Fixtures, fittings and equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£
Cost:				
At 1 January 2004	295,158	1,286,900	367,760	1,949,818
Additions	-	220,281	-	220,281
Disposals	-	(890)	(33,219)	(34,109)
Transfers	(7,486)	7,486	-	-
At 31 December 2004	287,672	1,513,777	334,541	2,135,990
Depreciation:				
At 1 January 2004	114,956	281,449	151,292	547,697
Charge for the year	17,307	116,416	50,126	183,849
On disposals	-	(591)	(13,268)	(13,859)
Transfers	(359)	359	-	-
At 31 December 2004	131,904	397,633	188,150	717,687
Net book value:				
At 31 December 2004	155,768	1,116,144	146,391	1,418,303
At 31 December 2003	180,202	1,005,451	216,468	1,402,121

Included above are assets held under finance leases or hire purchase contracts as follows:

<i>Asset description</i>	<i>2004</i>		<i>2003</i>	
	<i>Net Depreciation</i>		<i>Net Depreciation</i>	
	<i>book value</i>	<i>charge</i>	<i>book value</i>	<i>charge</i>
	£	£	£	£
Equipment	404,774	44,605	441,397	29,272
Motor vehicles	144,046	42,695	186,741	62,246
	548,820	87,300	628,138	91,518

## 10. Stocks

	<i>2004</i>	<i>2003</i>
	£	£
Raw materials and consumables	426,071	236,003

## Notes to the financial statements

at 31 December 2004

### 11. Debtors

	2004	2003
	£	£
Trade debtors	1,862,697	1,568,788
Other debtors	204,376	67,092
Prepayments and accrued income	133,586	103,499
Amounts receivable from parent undertaking	253,028	488,876
	<u>2,453,687</u>	<u>2,228,255</u>

Included in other debtors is £1,436 relating to the balance on a directors loan account. The maximum outstanding on the director's account during the year was £3,093 in January 2004.

### 12. Creditors: amounts falling due within one year

	2004	2003
	£	£
Net obligations under finance leases and hire purchase contracts	92,944	148,899
Trade creditors	1,393,330	1,358,583
Corporation tax	310,214	353,453
Other taxes and social security costs	70,313	75,076
Other creditors	31,138	-
Accruals and deferred income	541,548	396,735
	<u>2,439,487</u>	<u>2,332,746</u>

### 13. Creditors: amounts falling due after more than one year

	2004	2003
	£	£
Net obligations under finance leases and hire purchase contracts	136,803	228,257
Finance lease and hire purchase contracts are repayable as follows:		
Less than one year	107,359	173,509
More than one year but less than two years	54,210	110,629
More than two years but not more than five years	93,473	141,551
	<u>255,042</u>	<u>425,689</u>
Less interest allocated to future periods	(25,295)	(48,533)
	<u>229,747</u>	<u>377,156</u>

## Notes to the financial statements

at 31 December 2004

### 14. Provisions for liabilities and charges: deferred taxation

The movement in deferred taxation during the current year is as follows:

	£
At 1 January 2004	131,424
Charge for the year (note 7)	31,553
At 31 December 2004	162,977

There is no unprovided deferred tax (2003: £Nil).

### 15. Accruals and deferred income: deferred government grants

	£
At 1 January 2004	32,372
Released during the year (note 3)	(13,092)
At 31 December 2004	19,280

### 16 Share capital

	2004 £	2003 £
<i>Authorised</i>		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
<i>Allotted, called up and fully paid</i>		
130,000 ordinary shares of £1 each	130,000	130,000

### 17. Reconciliation of movement in shareholders funds and reserves

	Share capital £	Profit and loss account £	Total share- holders' funds £
At 1 January 2003	130,000	716,008	846,008
Profit for the financial year	-	865,597	865,597
Dividends	-	(200,000)	(200,000)
At 31 December 2003	130,000	1,381,605	1,511,605
Profit for the financial year	-	997,865	997,865
Dividends	-	(600,000)	(600,000)
At 31 December 2004	130,000	1,779,470	1,909,470



## Notes to the financial statements

at 31 December 2004

### 18. Capital Commitments

Amounts contracted for but not provided in the financial statements amounted to £68,319 (2003: £nil).

### 19 Other financial commitments

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>		<i>Other</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
<i>Operating leases which expire:</i>				
Within one year	-	-	2,811	289
In two to five years	-	12,678	86,878	52,148
In over five years	79,507	52,674	-	-
	<u>79,507</u>	<u>65,352</u>	<u>89,689</u>	<u>52,437</u>

### 20 Contingent liabilities

The company is party to a cross guarantee arrangement with its parent company in respect of bank facilities. The directors do not expect any loss to arise as a result of this arrangement.

### 21 Related party transactions

The company has taken advantage of the exemption in paragraph 17 of Financial Reporting Standard 8 regarding exemption from disclosing transactions with other group companies.

### 22 Parent undertaking and controlling party

The company's ultimate parent undertaking and controlling party is Brambles Foods Group Limited which is incorporated in the United Kingdom. Brambles Food Group Limited is the parent undertaking of the smallest and largest group of which the company is a member and for which group financial statements are prepared. Copies of the group financial statements for Brambles Foods Group Limited are available from its registered office: 13/15 Drake Court, Riverside Park, Middlesbrough, TS2 1RS.