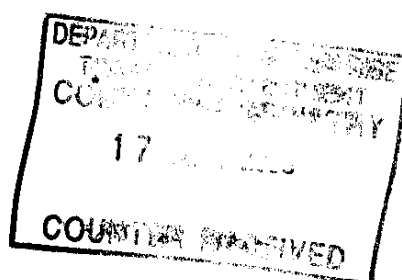


A H Foods Limited

Report and Financial Statements

30 September 2002



A H Foods Limited

Registered No: R00582

Directors

M Moreland
P J Burnett
J McGurk

Secretary

David McAuley

Auditors

Ernst & Young LLP
Bedford House
16 Bedford Street
Belfast
BT2 7DT

Bankers

Bank of Ireland
Donegall House
7 Donegall Square North
Belfast
BT1 5LU

Solicitors

Carson & McDowell
Murray House
Murray Street
Belfast
BT1 6DN

Registered office

Belfast Mills
71/75 Percy Street
Belfast
BT13 2HW

Directors' report

The directors present their report and financial statements for the period from 1 March 2002 to 30 September 2002.

Results and dividends

The profit for the year, after taxation, amounted to £380,359. The directors do not recommend the payment of any dividends.

Principal activities and review of the business

The principal activity of the company during the period was the milling of flour.

Directors

The directors of the company are as listed on page 1. P A Rothwell and T D Sweeney also served as directors during the period and retired on 4 March 2002 and 1 October 2002 respectively.

Messrs M Moreland and J McGurk are directors of the ultimate holding company, Andrews Holdings Limited, and their interests in its share capital are disclosed in that company's financial statements.

According to the register maintained under the Companies (Northern Ireland) Order 1986, the directors' interests in the share capital of the ultimate holding company included the following:

	<i>At 28 February 2002 or date of retirement, if earlier Ordinary shares</i>	<i>At 1 October 2000 or subsequent date of appointment Ordinary shares</i>
P J Burnett	5,000	5,000

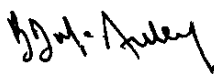
Fixed assets

The movement in tangible fixed assets during the year is as shown in note 10.

Auditors

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


Secretary

31 MAR 2003

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 (Northern Ireland) Order 1986. 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 member of A H Foods Limited

We have audited the company's financial statements for the period ended 30 September 2002 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 Article 243 of the Companies (Northern Ireland) Order 1986. 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 (Northern Ireland) Order 1986. 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 September 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.


Registered Auditor
Belfast

31 March 2003

Profit and loss account

for the period from 1 March 2002 to 30 September 2002

		<i>Period from 1 Mar 02 to 30 Sep 02</i>	<i>Period from 1 Oct 00 to 28 Feb 02</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Turnover			
Continuing operations		4,761,521	9,665,538
Discontinued operations		—	22,964,610
	2	4,761,521	32,630,148
Cost of sales	2	(3,877,730)	(25,295,446)
Gross profit		883,791	7,334,702
Net operating expenses	3	299,883	8,832,576
Operating profit/(loss):			
Continuing operations		583,908	501,198
Discontinued operations		—	(1,999,072)
	4	583,908	(1,497,874)
Profit on disposal of bakery operation	5	—	12,622
Profit on disposal of property	5	—	3,153
		583,908	(1,482,099)
Bank interest receivable	8	—	132,298
Interest payable	8	(43,109)	(326,581)
		(43,109)	(194,283)
Profit/(loss) on ordinary activities before taxation		540,799	(1,676,382)
Tax charge/(credit) on profit/(loss) on ordinary activities	9	160,440	(71,774)
Profit retained/(loss) for the financial period		380,359	(1,604,608)

Statement of total recognised gains and losses

for the period from 1 March 2002 to 30 September 2002

	<i>Period from 1 Mar 02 to 30 Sep 02 £</i>	<i>Period from 1 Oct 00 to 28 Feb 02 £</i>
Profit/(loss) for the financial period	380,359	(1,604,608)
Unrealised surplus on revaluation of certain fixed assets	—	2,397,075
Total gains and losses recognised relating to the period	<u>380,359</u>	<u>792,467</u>

Balance sheet
at 30 September 2002

	Notes	30 Sep 02 £	28 Feb 02 £
Fixed assets			
Tangible assets	10	3,203,925	3,329,801
Current assets			
Stocks	11	762,300	961,030
Debtors	12	4,767,556	6,491,500
Cash at bank		1,025,122	1,690,689
		6,554,978	9,143,219
Creditors: amounts falling due within one year	13	3,915,329	7,012,324
Net current assets		2,639,649	2,130,895
Total assets less current liabilities		5,843,574	5,460,696
Creditors: amounts falling due after more than one year	14	2,419,584	2,402,630
Provisions for liabilities and charges			
Deferred taxation	9	56,335	70,770
		3,367,655	2,987,296
Capital and reserves			
Called up share capital	20	1,026,750	1,026,750
Revaluation reserve	21	2,397,075	2,397,075
Profit and loss account	21	(56,170)	(436,529)
Equity shareholder's funds	21	3,367,655	2,987,296

J. P. 54

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31 MAR 2003

Notes to the financial statements

at 30 September 2002

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Related party transactions

The company has taken advantage of the exemption in FRS 8 'Related Party Transactions' from disclosing transactions with related parties which are group companies.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off each asset evenly over its expected useful life, as follows:

Freehold buildings	- 50 years
Long leasehold buildings	- 50 years
Plant and Equipment	- 5 - 10 years
Motor vehicles	- 4 - 5 years

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

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

Stocks

Stocks are valued at the lower of cost on a first in first out basis and net realisable value, after making due allowance for any obsolete or slow moving items. In the case of finished goods cost comprises direct materials and labour plus an appropriate proportion of manufacturing fixed and variable overheads.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. The timing differences arise from the different treatment for financial statements and tax purposes of transactions and events recognised in the financial statements of the current year and previous years. Deferred tax is not provided in respect of timing differences arising from the sale of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into and it is unlikely that any gain will be rolled over.

Deferred tax 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.

Deferred tax is measured on a non-discount basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Notes to the financial statements

at 30 September 2002

1. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the Profit and Loss Account on a straight line basis.

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the Profit and Loss Account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease rentals

Rentals payable under operating leases are charged in the Profit and Loss Account on a straight line basis over the lease term.

Pensions

The company currently operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

2. Turnover

Turnover comprises the invoice value of goods and services supplied by the company exclusive of value added tax.

An analysis of turnover by different classes of business and the geographical analysis have been excluded because in the opinion of the directors, the disclosure of such information would be seriously prejudicial to the interests of the company.

Notes to the financial statements

at 30 September 2002

3. Analysis of cost of sales and net operating expenses

	<i>Continuing Operations £</i>	<i>Discontinued Operations £</i>	<i>Total £</i>
<i>Period from 1 March 2002 To 30 September 2002</i>			
Cost of sales	3,877,730	-	3,877,730
Distribution costs	116,039	-	116,039
Administrative expenses	183,844	-	183,844
Net operating expenses	299,883	-	299,883
<i>Period from 1 October 2000 To 28 February 2002</i>			
Cost of sales	8,494,952	16,800,494	25,295,446
Distribution costs	227,707	5,774,190	6,001,897
Administrative expenses	441,681	2,388,998	2,830,679
Net operating expenses	669,388	8,163,188	8,832,576

4. Operating profit/(loss)

This is stated after charging:

	<i>Period from 1 Mar 02 to 30 Sep 02 £</i>	<i>Period from 1 Oct 00 to 28 Feb 02 £</i>
Auditors' remuneration - audit services	13,300	43,236
Depreciation of owned fixed assets	158,701	870,572
Depreciation of assets held under finance leases	-	144,922
	158,701	1,015,494
Operating lease rentals - land and buildings	14,348	59,911
- plant and machinery	-	68,566

Notes to the financial statements

at 30 September 2002

5. Exceptional items

	<i>Period from 1 Mar 02 to 30 Sep 02 £</i>	<i>Period from 1 Oct 00 to 28 Feb 02 £</i>
Recognised in arriving at operating profit/(loss):		
Provision for impairment of tangible fixed assets	—	(347,575)
Recognised below operating profit/(loss):		
Profit on disposal of bakery operation:		
Net book value of tangible fixed assets	—	1,786,293
Stocks	—	548,204
Debtors	—	1,829,937
Creditors due within one year	—	(3,997,024)
Creditors due after one year	—	(180,333)
Net liabilities disposed	—	(12,623)
Cash consideration received	—	1
Profit on disposal	—	(12,622)
Profit on disposal of freehold property (note 19).	—	3,153

The tax attributable to these exceptional items is *****.

6. Staff costs

	<i>Period from 1 Mar 02 to 30 Sep 02 £</i>	<i>Period from 1 Oct 00 to 28 Feb 02 £</i>
Wages and salaries	540,557	10,688,648
Social security costs	53,768	1,052,546
Other pension costs (note 16)	19,414	449,342
	<u>613,739</u>	<u>12,190,536</u>

The monthly average number of employees during the period was as follows:

	<i>Period from 1 Mar 02 to 30 Sep 02 No.</i>	<i>Period from 1 Oct 00 to 28 Feb 02 No.</i>
Operations	38	419
Administration	5	37
	<u>43</u>	<u>456</u>

Notes to the financial statements

at 30 September 2002

7. Directors' emoluments

	<i>Period from 1 Mar 02 to 30 Sep 02 £</i>	<i>Period from 1 Oct 00 to 28 Feb 02 £</i>
Emoluments	<u>7,800</u>	<u>155,838</u>
Value of company pension contributions to money purchase schemes	<u>-</u>	<u>27,318</u>
	<i>Period from 1 Mar 02 to 30 Sep 02 No.</i>	<i>Period from 1 Oct 00 to 28 Feb 02 No.</i>
Members of money purchase pension schemes	<u>-</u>	<u>2</u>

8. Interest receivable/(payable)

	<i>Period from 1 Mar 02 to 30 Sep 02 £</i>	<i>Period from 1 Oct 00 to 28 Feb 02 £</i>
Bank interest receivable	<u>-</u>	<u>132,298</u>
Bank interest payable	(43,109)	(289,785)
Finance charges payable under finance leases	<u>-</u>	<u>(36,796)</u>
	<u>(43,109)</u>	<u>(326,581)</u>

Notes to the financial statements

at 30 September 2002

9. Tax

(a) Tax on profit or (loss) on ordinary activities

The tax charge/(credit) is made up as follows:

	<i>Period from 1 Mar 02 to 30 Sep 02 £</i>	<i>Period from 1 Oct 00 to 28 Feb 02 £</i>
<i>Current tax:</i>		
UK corporation tax	174,875	—
Total current tax (note 9(b))	174,875	—
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(14,435)	(71,774)
Tax on profit or (loss) on ordinary activities	160,440	(71,774)

(b) Factors affecting current tax charge:

The tax assessed for the period varies from the standard rate of corporation tax in the UK (30%). The differences are reconciled below:

	<i>Period from 1 Mar 02 to 30 Sep 02 £</i>	<i>Period from 1 Oct 00 to 28 Feb 02 £</i>
Profit/(loss) on ordinary activities before taxation	540,799	(1,676,382)
Loss on ordinary activities by standard UK rate of tax (30%)	162,240	(502,914)
Disallowed expenses and non-taxable income	282	9,556
Accelerated capital allowances	—	(244,903)
Short term timing differences	11,198	3,045
Utilisation of tax losses brought forward	1,155	—
Chargeable gains	—	630,943
Impairment provisions	—	104,273
Total current tax (note 9(a))	174,875	—

Notes to the financial statements

at 30 September 2002

(c) Deferred tax

	<i>Period from 1 Mar 02 to 30 Sep 02 £</i>	<i>Period from 1 Oct 00 to 28 Feb 02 £</i>
Other timing differences	56,335	70,770
At 1 March 2002		£ 70,770
Profit and Loss Account movement arising during the period		(14,435)
At 30 September 2002		<u>56,335</u>

10. Tangible fixed assets

	<i>Long leasehold land and buildings £</i>	<i>Freehold property £</i>	<i>Plant vehicles and equipment £</i>	<i>Total £</i>
Cost or valuation:				
At 1 March 2002	736,727	2,102,599	3,097,045	5,936,371
Additions	—	—	32,825	32,825
At 30 September 2002	<u>736,727</u>	<u>2,102,599</u>	<u>3,129,870</u>	<u>5,969,196</u>
Depreciation:				
At 1 March 2002	136,727	72,599	2,397,244	2,606,570
Provided during the period	—	2,305	156,396	158,701
At 30 September 2002	<u>136,727</u>	<u>74,904</u>	<u>2,553,640</u>	<u>2,765,271</u>
Net book value:				
At 30 September 2002	<u>600,000</u>	<u>2,027,695</u>	<u>576,230</u>	<u>3,203,925</u>
At 1 March 2002	<u>600,000</u>	<u>2,030,000</u>	<u>699,801</u>	<u>3,329,801</u>

As at 28 February 2002 certain of the company's freehold land and buildings were valued at £750,000 on the basis of existing use by DTZ McCombe Pierce, a firm of Chartered Surveyors. As at the same date freehold land adjoining this site was valued at £1,280,000 by DTZ McCombe Pierce on the basis of its open market value.

In addition the company's long leasehold land and buildings were valued at £600,000 on the basis of open market value by DTZ McCombe Pierce, as at 28 February 2002.

Notes to the financial statements

at 30 September 2002

10. Tangible fixed assets (continued)

On the historical cost basis, these revalued assets would have been included as follows:

	<i>Long leasehold land and buildings £</i>	<i>Freehold land and buildings £</i>
Cost:		
At 1 March 2002 and 30 September 2002	<u>151,579</u>	<u>195,697</u>
Cumulative depreciation based on cost:		
At 1 March 2002 and 30 September 2002	<u>41,752</u>	<u>74,904</u>

11. Stocks

	<i>30 Sep 02 £</i>	<i>28 Feb 02 £</i>
Raw materials	638,420	824,880
Finished goods	<u>123,880</u>	<u>136,150</u>
	<u>762,300</u>	<u>961,030</u>

12. Debtors

	<i>30 Sep 02 £</i>	<i>28 Feb 02 £</i>
Trade debtors	1,314,874	1,459,905
Amounts owed by group undertakings	2,553,789	2,829,700
Other debtors	868,091	2,137,029
Prepayments and accrued income	<u>30,802</u>	<u>64,866</u>
	<u>4,767,556</u>	<u>6,491,500</u>

Notes to the financial statements

at 30 September 2002

13. Creditors: amounts falling due within one year

	30 Sep 02 £	28 Feb 02 £
Bank loans and overdrafts	1,064,309	4,114,930
Obligations under finance leases (note 15)	26,370	11,841
Trade creditors	439,883	862,986
Amounts owed to group undertakings	2,110,791	1,912,378
Corporation tax	52,758	—
Other taxation and social security	41,815	29,288
Other creditors	114,297	21,475
Accruals and deferred income	65,106	59,426
	<u>3,915,329</u>	<u>7,012,324</u>

The overdraft facility is secured by way of a fixed and floating charge over the assets and undertakings of the company. In addition, borrowings of the company's ultimate parent undertaking, Andrews Holdings Limited, are also secured by the same fixed and floating charge, together with a letter of guarantee from the company.

14. Creditors: amounts falling due after more than one year

	30 Sep 02 £	28 Feb 02 £
Obligations under finance leases (note 15)	69,584	52,630
Amounts owed to group undertakings	2,350,000	2,350,000
	<u>2,419,584</u>	<u>2,402,630</u>

15. Obligations under finance leases

The maturity of these amounts is as follows:

	30 Sep 02 £	28 Feb 02 £
Amounts payable:		
Finance leases are analysed as follows:		
Within one year (note 13)	26,370	11,841
Within two to five years (note 14)	69,584	52,630
	<u>95,954</u>	<u>64,471</u>

Notes to the financial statements

at 30 September 2002

16. Pensions

Until 31 October 1998 the company participated in a group defined benefit scheme for certain of its employees. From 1 November 1998 contributions into that section of the scheme ceased and were replaced by contributions into a new group defined contribution section of the scheme. The assets of both sections of the scheme are held separately from those of the company in an independently administered fund.

The latest actuarial valuation of the defined benefit section of the scheme was prepared at 30 June 2000 by an independent professionally qualified actuary. As ongoing accrual of defined benefits ceased from 31 October 1998 this valuation was performed using the assumptions and methodology underlying the 'Minimum Funding Requirement' basis. The market value of the defined benefit section assets was £43,503,000 with the level of funding being 97.9%. Based on a "Minimum Funding Requirement" basis actuarial review as at 31 March 2002 the scheme was fully funded.

The total pension cost of the company during the period was £19,414 (28 February 2002 - £449,342)

17. Commitments under operating leases

At 30 September 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	<i>Land and buildings</i>	
	<i>30 Sep 02</i>	<i>28 Feb 02</i>
	£	£
Operating leases which expire:		
Within one year	—	8,500
In two to five years	25,600	14,800
In over five years	—	9,800
	<u>25,600</u>	<u>33,100</u>

18. Contingent liability

Government grants in respect of fixed assets could become payable in certain circumstances.

19. Related party transactions

On 28 September 2001 freehold land and buildings were disposed of for £1,850,000 to Hotspur Limited, a company of which Messrs J McGurk and M Moreland are directors. At 30 September 2002 an amount of £850,000 remains due to A H Foods Limited and is included within 'other debtors' (note 12).

20. Share capital

	<i>30 Sep 02</i>	<i>28 Feb 02</i>
	£	£
Ordinary shares of £1 each	<u>1,178,250</u>	<u>1,178,250</u>
	<i>Allotted, called up and fully paid</i>	
	<i>30 Sep 02</i>	<i>28 Feb 02</i>
	No.	No.
	£	£
Ordinary shares of £1 each	<u>1,026,750</u>	<u>1,026,750</u>

Notes to the financial statements

at 30 September 2002

21. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i> £	<i>Revaluation reserve</i> £	<i>Profit and loss account</i> £	<i>Total share- holders' funds</i> £
At 1 October 2000	1,026,750	400,684	767,395	2,194,829
Loss for the 17 months	–	–	(1,604,608)	(1,604,608)
Other gains and losses	–	–	–	–
Revaluation of fixed assets	–	2,397,075	–	2,397,075
Realisation of revaluation reserve	–	(400,684)	400,684	–
At 28 February 2002	1,026,750	2,397,075	(436,529)	2,987,296
Profit for the period	–	–	380,359	380,359
At 30 September 2002	<u>1,026,750</u>	<u>2,397,075</u>	<u>(56,170)</u>	<u>3,367,655</u>

22. Ultimate controlling undertakings

The immediate parent undertaking is Andrews Milling Limited, a company incorporated in Northern Ireland. Its ultimate parent undertaking is Andrews Holdings Limited, a company incorporated in Northern Ireland. This is the parent undertaking of the largest group of which the company is a member and for which group accounts are prepared. Copies of its group accounts may be obtained from its registered office, Belfast Mills, 71/75 Percy Street, Belfast, BT13 2HW.