

A H Foods Limited

Report and Accounts

30 September 1999

Registered No: R00582

A H Foods Limited

Registered No: R00582

DIRECTORS

M Moreland (Chairman)
P J Burnett
J McGurk
T D Sweeney
P A Rothwell

SECRETARY

B D McAuley

AUDITORS

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

BANKERS

Bank of Ireland
54 Donegall Place
Belfast

SOLICITORS

George L MacLaine
Lombard Chambers
Lombard Street
Belfast

L'Estrange & Brett
7 - 9 Chichester Street
Belfast BT1 4JG

REGISTERED OFFICE

71/75 Percy Street
Belfast
BT13 2HW

ERNST & YOUNG

A H Foods Limited

DIRECTORS' REPORT

The directors present their report and the audited accounts for the year ended 30 September 1999.

RESULTS AND DIVIDENDS

The loss for the year attributable to shareholders amounts to £266,864 and is dealt with as shown in the profit and loss account. The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITIES

The principal activities of the company comprise the manufacture and distribution of bread and allied products; the company also trades as a flour miller.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Trading conditions in the year were difficult but the directors are of the opinion that, as a result of recent reorganisation, the company is well placed to take advantage of any future market opportunities.

YEAR 2000 COMPLIANCE

Following implementation of an extensive group wide programme to address the risks associated with the 'millennium bug', no significant Year 2000 failures have been experienced by the company.

Due to the complexity and uncertainty associated with the Year 2000 issue it is appreciated that some residual risks and uncertainties may remain. Although the Board believes that any such risks are insignificant, plans have been put in place to monitor and address any such failures that may arise during 2000.

Much of the cost of implementing the company's Year 2000 action plan was subsumed into the recurring activities of the departments involved and as a result these costs have not been quantified.

FIXED ASSETS

The movement in tangible fixed assets is shown in note 9.

DIRECTORS AND THEIR INTERESTS

The directors of the company at 30 September 1999 were those listed on page 2.

Messrs M Moreland, T D Sweeney, J McGurk and P A Rothwell are directors of the ultimate holding company, Andrews Holdings Limited, and their interests in its share capital are disclosed in that company's accounts.

According to the register maintained as required under the Companies (Northern Ireland) Order 1986, the directors' interests in the share capital of the company were as follows:

	<i>At 30 September 1999 or date of retirement, if earlier</i>	<i>At 1 October 1998 or subsequent date of appointment</i>
	<i>Ordinary Shares</i>	<i>Ordinary Shares</i>
P J Burnett	5,000	5,000

DIRECTORS' REPORT

DISABLED PERSONS

It is the company's policy to give full consideration to suitable applications for employment by disabled persons.

Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees of the company who become disabled to continue in their employment or to be trained for other positions.

EMPLOYEE INVOLVEMENT

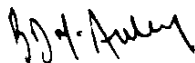
The company is committed to involve all employees in the performance and development of the company. Employees are encouraged to discuss with management matters of interest to the employee and subjects affecting day to day operations of the company.

Discussions take place regularly with the trade unions representing the company's employees on a wide range of issues.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board



Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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 accounts 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.

A H Foods Limited

AUDITORS' REPORT

**REPORT OF THE AUDITORS
to the members of A H Foods Limited**

We have audited the accounts on pages 7 to 18 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and on the basis of the accounting policies set out on pages 9 and 10.

Respective responsibilities of the directors and auditors

As is widely known many computer and digital storage systems express dates using only the last two digits of each year, and which require modification or replacement to avoid malfunction and commercial disruption in the year 2000.

Since the company has ceased to trade, any risks associated with the millennium bug are not considered significant to the company.

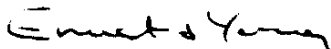
Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 the information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs at 30 September 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.



Registered Auditor

Belfast

24 July 2000

A H Foods Limited

PROFIT AND LOSS ACCOUNT for the year ended 30 September 1999

	Notes	1999 £	1998 £
TURNOVER			
Continuing operations	2	23,132,306	24,221,286
Discontinued operations	2	-	561,576
		<u>23,132,306</u>	<u>24,782,862</u>
Cost of sales	3	(17,261,418)	(17,993,077)
		<u>5,870,888</u>	<u>6,789,785</u>
GROSS PROFIT			
Distribution costs	3	(4,349,957)	(5,227,944)
Administrative expenses	3	(1,927,311)	(1,691,429)
		<u>(6,277,268)</u>	<u>(6,919,373)</u>
OPERATING LOSS			
Continuing operations		(406,380)	(46,846)
Discontinued operations		-	(82,742)
		<u>(406,380)</u>	<u>(129,588)</u>
Exceptional items - costs associated with termination of an operation		(3,690)	(184,377)
- profit on disposal of tangible fixed assets		207,749	-
		<u>(202,321)</u>	<u>(313,965)</u>
Interest payable and similar charges	7	(240,756)	(263,205)
		<u>(443,077)</u>	<u>(577,170)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION			
Taxation credit	8	176,213	191,154
		<u>(266,864)</u>	<u>(386,016)</u>
RETAINED LOSS FOR THE FINANCIAL YEAR	17		

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than the loss attributable to the shareholders of £266,864 in the year ended 30 September 1999 and the loss attributable to the shareholders of £386,016 in the year ended 30 September 1998.

A H Foods Limited

BALANCE SHEET at 30 September 1999

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	Notes	1999 £	1998 £
FIXED ASSETS			
Tangible assets	9	6,255,742	6,903,338
CURRENT ASSETS			
Stocks	10	984,376	1,368,246
Debtors	11	4,901,232	4,909,568
		<u>5,885,608</u>	<u>6,277,814</u>
CREDITORS: amounts falling due within one year	12	(6,113,949)	(6,678,800)
NET CURRENT LIABILITIES		<u>(228,341)</u>	<u>(400,986)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,027,401</u>	<u>6,502,352</u>
CREDITORS: amounts falling due after more than one year	14	(2,806,444)	(2,893,336)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(156,670)	(277,865)
		<u>3,064,287</u>	<u>3,331,151</u>
CAPITAL AND RESERVES			
Called up share capital	16	1,026,750	1,026,750
Revaluation reserve	17	414,498	427,335
Profit and loss account	17	1,623,039	1,877,066
EQUITY SHAREHOLDERS' FUNDS		<u>3,064,287</u>	<u>3,331,151</u>

M. J. H. H.
T. J. H. H.

Directors

NOTES TO THE ACCOUNTS
at 30 September 1999

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention as modified by the revaluation of freehold property, and in accordance with applicable accounting standards.

The company has taken advantage of the exemption for non disclosure of transactions with related parties which are group companies. The company is also exempt from preparing a cash flow statement by virtue of being a wholly owned subsidiary undertaking of an EC parent.

Depreciation

The cost (after deducting government grants) of tangible fixed assets are depreciated by equal instalments over the expected useful lives of the assets as follows:

Freehold and long leasehold buildings	-	50 years
Plant and machinery	-	5 - 10 years
Motor vehicles	-	4 - 5 years

Government grants

Government grants in respect of capital expenditure are credited to revenue over the expected useful lives of the related assets.

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

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 and work in progress, cost comprises direct materials and labour.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all timing differences to the extent that it is probable that the liability will crystallise.

Foreign currencies

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

Monetary assets and liabilities 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 and leasing commitments

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or the periods of the leases where these are shorter.

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the group are capitalised. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the profit and loss account.

Rentals in respect of all other leases are charged to the profit and loss account as incurred.

A H Foods Limited

NOTES TO THE ACCOUNTS at 30 September 1999

1. ACCOUNTING POLICIES (continued)

Pensions

For the vast majority of the year the company participated in the defined contribution section of a group 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 between different classes of business and the geographical analysis have been omitted because, in the opinion of the directors, the disclosure of such information would be seriously prejudicial to the interests of the company.

3. COST OF SALES AND OPERATING EXPENSES

	1999			1998
	Total	Continuing	Discontinued	Total
	£	£	£	£
Cost of sales	17,261,418	17,456,936	536,141	17,993,077
Distribution costs	4,349,957	5,176,820	51,124	5,227,944
Administrative expenses	1,927,311	1,600,100	91,329	1,691,429
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

4. OPERATING LOSS is stated after charging/(crediting):

	1999	1998
	£	£
Depreciation of owned fixed assets	724,195	848,082
Depreciation of assets held under finance leases and hire purchase contracts	172,199	215,551
Auditors' remuneration - audit	33,006	27,800
- other	-	-
Operating lease costs - plant, machinery and vehicles	51,717	-
Leasehold property rents	97,791	145,245
Revenue grants	(50,334)	(26,051)
Profit on disposal of fixed assets	(15,731)	-
	<u> </u>	<u> </u>

A H Foods Limited

NOTES TO THE ACCOUNTS at 30 September 1999

5. DIRECTORS' EMOLUMENTS

	1999 £	1998 £
Emoluments	180,799	259,378
Company contributions paid to money purchase pension schemes	32,826	-

The aggregate of compensation paid to past directors for loss of office amounted to £Nil (1998 - £20,000).

	1999 No	1998 No
Members of money purchase pensions schemes	3	-
Members of defined benefit pension schemes	-	5

6. STAFF COSTS

	1999 £	1998 £
Wages and salaries	8,438,688	8,692,459
Social security costs	777,602	677,303
Other pension costs	278,150	283,375
	9,494,440	9,653,137

The average weekly number of employees, including directors, during the year was 484 (1998 - 481).

A H Foods Limited

NOTES TO THE ACCOUNTS

at 30 September 1999

7. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £	1998 £
Bank charges	3,222	400
Bank overdraft	208,588	220,444
Finance charges payable under finance leases and hire purchase contracts	28,946	42,361
	<u>240,756</u>	<u>263,205</u>

8. TAXATION

	1999 £	1998 £
Tax credit based on the loss for the year:		
Corporation tax at 30.5% (1998 - 31%)	67,421	14,638
Deferred taxation	3,116	93,162
	<u>70,537</u>	<u>107,800</u>
Prior year:		
Corporation tax	(12,403)	(3,284)
Deferred tax	118,079	86,638
	<u>176,213</u>	<u>191,154</u>

As at 30 September 1999 the company had corporation tax losses carried forward of £1,015,060 (1998 - £438,559).

A H Foods Limited

NOTES TO THE ACCOUNTS at 30 September 1999

9. TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings £</i>	<i>Long leasehold land and buildings £</i>	<i>Plant, vehicles and equipment £</i>	<i>Fixed assets under construction £</i>	<i>Total £</i>
Cost or valuation:					
At 1 October 1998	3,264,552	195,697	13,457,593	316,690	17,234,532
Category transfers	-	-	30,707	(30,707)	-
Additions	-	-	296,835	31,525	328,360
Disposals	(42,908)	-	(836,898)	-	(879,806)
Intergroup disposals	-	-	(28,740)	-	(28,740)
At 30 September 1999	3,221,644	195,697	12,919,497	317,508	16,654,346
Depreciation:					
At 1 October 1998	980,110	57,522	9,293,562	-	10,331,194
Charge for year	62,816	4,801	812,202	-	879,819
Disposals	(15,033)	-	(770,432)	-	(785,465)
Intergroup disposals	-	-	(26,944)	-	(26,944)
At 30 September 1999	1,027,893	62,323	9,308,388	-	10,398,604
Net book value at 30 September 1999	2,193,751	133,374	3,611,109	317,508	6,255,742
Net book value at 1 October 1998	2,284,442	138,175	4,164,031	316,690	6,903,338

Net book value of plant, vehicles and equipment includes an amount of £233,060 (1998 - £342,485) in respect of assets held under finance leases and hire purchase contracts.

A H Foods Limited

NOTES TO THE ACCOUNTS

at 30 September 1999

9. TANGIBLE FIXED ASSETS (continued)

Certain freehold buildings were revalued in 1979 by the directors. The analysis of the company's total cost of assets is as follows:

	1999 £
Cost	1,490,696
Valuation	1,773,856
	<u>3,264,552</u>

If these assets had not been revalued the amounts carried in the balance sheet at 30 September 1999 would have been:

	1999 £
Cost	1,490,696
Accumulated depreciation	(584,360)
	<u>906,336</u>

10. STOCKS

	1999 £	1998 £
Raw materials and consumables	855,396	1,245,183
Finished products and goods for re-sale	128,980	123,063
	<u>984,376</u>	<u>1,368,246</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

11. DEBTORS

	1999 £	1998 £
Trade debtors	2,069,203	2,121,735
Other debtors **	110,595	107,808
Prepayments and accrued income	190,676	135,876
Tax recoverable	-	704
Amounts owed by parent and fellow subsidiary undertakings *	2,530,758	2,543,445
	<u>4,901,232</u>	<u>4,909,568</u>

* £2,530,758 (1998 - £1,543,720) of this is due for payment after more than one year.

** £9,600 (1998 - £19,800) of this is due for payment after more than one year.

A H Foods Limited

NOTES TO THE ACCOUNTS at 30 September 1999

12. CREDITORS - amounts falling due within one year:

	1999 £	1998 £
Bank overdraft	2,057,307	2,956,403
Obligations under finance leases and hire purchase contracts (note 13)	140,509	178,146
Trade creditors	2,278,277	2,149,607
Accruals	461,551	444,920
Social security and other taxation	199,776	185,453
Other creditors	416,864	464,165
Amounts owed to parent and fellow subsidiary undertakings	559,665	300,106
	<u>6,113,949</u>	<u>6,678,800</u>

The bank overdraft is secured by way of a fixed and floating charge over the assets and undertakings of the company.

13. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	1999 £	1998 £
Within one year (note 12)	140,509	178,146
Within two to five years (note 14)	206,444	279,195
Thereafter (note 14)	-	14,141
	<u>346,953</u>	<u>471,482</u>

14. CREDITORS - amounts falling due after more than one year:

	1999 £	1998 £
Obligations under finance leases and hire purchase contracts		
- within two to five years (note 13)	206,444	279,195
- thereafter (note 13)	-	14,141
	<u>206,444</u>	<u>293,336</u>
Amounts owed to parent undertaking	2,600,000	2,600,000
	<u>2,806,444</u>	<u>2,893,336</u>

A H Foods Limited

NOTES TO THE ACCOUNTS

at 30 September 1999

15. PROVISIONS FOR LIABILITIES AND CHARGES

The movements in deferred taxation during the year are as follows:

	£
At 1 October 1998	277,865
Release in the year	(121,195)
At 30 September 1999	156,670

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	<i>Provided</i>		<i>Not provided</i>	
	1999	1998	1999	1998
	£	£	£	£
Accelerated capital allowances	535,170	593,565	-	-
Short term timing differences	(8,500)	(5,700)	-	-
Losses	(370,000)	(310,000)	-	-
Valuation of properties	-	-	-	19,000
Capital gains rolled over	-	-	32,000	32,000
	156,670	277,865	32,000	51,000

16. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted and fully paid</i>	
	1999	1998	1999	1998
	£	£	£	£
Ordinary shares of £1 each	1,178,250	1,178,250	1,026,750	1,026,750

A H Foods Limited

NOTES TO THE ACCOUNTS

at 30 September 1999

17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share Capital £	Revaluation Reserve £	Profit and loss account £	Total £
At 1 October 1997	1,026,750	441,120	2,249,297	3,717,167
Loss for the year	-	-	(386,016)	(386,016)
Amortisation of revaluation reserve	-	(13,785)	13,785	-
At 1 October 1998	1,026,750	427,335	1,877,066	3,331,151
Loss for the year	-	-	(266,864)	(266,864)
Amortisation of revaluation reserve	-	(12,837)	12,837	-
At 30 September 1999	1,026,750	414,498	1,623,039	3,064,287

18. CAPITAL COMMITMENTS

	1999 £	1998 £
Contracted	22,053	110,304

19. OTHER FINANCIAL COMMITMENTS

At 30 September 1999 the company had annual commitments under non-cancellable operating leases as set out below:

	1999 £	1998 £
Operating leases which expire:		
Within one year	35,652	31,512
Within two to five years	101,571	62,696
In over five years	9,800	47,300
	147,023	141,508

A H Foods Limited

NOTES TO THE ACCOUNTS

at 30 September 1999

20. PENSION COMMITMENTS

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 31 March 1998 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 assumption having the most significant impact on the results of this valuation was that the return on investments would exceed inflation by at least 4%. The market value of the defined benefit section assets was £38,636,582 with the level of funding being 103%.

The total pension cost of the company was £278,150 (1998 - £283,375).

21. CONTINGENT LIABILITIES

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

22. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking is Andrews Holdings Limited, a company incorporated in Northern Ireland.