

# **FARMFOODS LIMITED**

## **REPORT AND FINANCIAL STATEMENTS**

**1997**



Company Number 30186

# FARMFOODS LIMITED

**Directors**

Eric F G Herd  
Gordon S Herd LLB  
J Richard Harker  
William McCreadie BAcc CA

**Secretary**

William McCreadie BAcc CA

**Registered Office**

7 Greens Road  
Blairlinn  
Cumbernauld

**Auditors**

KPMG  
24 Blythswood Square  
Glasgow

**Bankers**

Clydesdale Bank PLC  
30 St Vincent Place  
Glasgow

## **FARMFOODS LIMITED**

### **DIRECTORS' REPORT**

The directors submit their report and the financial statements of the Company for the 52 weeks ended 1 November 1997. The comparative period is for the 53 weeks ended 2 November 1996.

#### **Results & Dividends**

The profit on ordinary activities for the year, after taxation, amounted to £2,070,000 (1996 - £1,642,000). The directors recommend a final ordinary dividend of 10p per share, amounting to £150,000, making a total of £675,000 (1996 - £450,000) for the year, which leaves a profit of £1,395,000 (1996 - £1,192,000) to be transferred to reserves.

#### **Review of the Business**

The principal activity of the Company is the retail distribution of frozen foods.

Trading conditions have been and are expected to remain competitive.

Farmfoods will continue to promote the benefits of frozen foods.

#### **Fixed Assets**

Information relating to changes in tangible fixed assets is given in Note 9 to the financial statements. Expenditure on heritable property in the year amounted to £1,486,000 (1996 - £252,000).

#### **Directors and their Interests**

The directors during the year and their interests in the share capital of the Company at 1 November 1997 were as follows:

	Ordinary shares of £1 each fully paid	
	1997	1996
Eric F G Herd	1,000,000	932,000
Gordon S Herd	485,000	553,000
J Richard Harker	-	-
William McCreadie	15,000	15,000

Richard Harker and William McCreadie hold options of 30,000 and 20,000 ordinary shares respectively. No options were granted or exercised during the year.

In accordance with the Company's Articles of Association the directors are not subject to retirement by rotation.

# **FARMFOODS LIMITED**

## **DIRECTORS' REPORT**

### **Employees**

The Company recognises the importance of its employees and places particular emphasis on in-house training and career development programmes.

Full consideration is given to applications for employment made by disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate.

### **Auditors**

KPMG have expressed their willingness to continue as auditors to the Company.

By order of the Board



**W McCreadie**  
Secretary

15 December 1997

7 Greens Road  
Blairlinn  
Cumbernauld  
G67 2TU

## **FARMFOODS LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial period 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 judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for ensuring that proper accounting records are kept 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

# FARMFOODS LIMITED

## REPORT OF THE AUDITORS TO THE MEMBERS OF FARMFOODS LIMITED

We have audited the financial statements on pages 6 to 17.

### Respective Responsibilities of Directors and Auditors

As described on page 4, the Company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### 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 financial statements. It also includes an assessment of the significant estimates and judgments 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 mis-statement, 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 the Company's affairs as at 1 November 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG  
Chartered Accountants  
Registered Auditors

15 December 1997

24 Blythswood Square  
Glasgow  
G2 4QS

**FARMFOODS LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE 52 WEEKS ENDED 1 NOVEMBER 1997**

	Note	<u>1997</u> <u>(52 weeks)</u> £000	<u>1996</u> <u>(53 weeks)</u> £000
Sales		169,515	170,788
Value Added Tax		<u>3,116</u>	<u>2,970</u>
Turnover		166,399	167,818
Cost of sales		<u>161,033</u>	<u>163,274</u>
Gross profit		5,366	4,544
Administration expenses		<u>2,322</u>	<u>2,351</u>
		3,044	2,193
Other operating income		<u>69</u>	<u>173</u>
Operating profit	2-5	3,113	2,366
Gain on disposal of fixed assets		<u>159</u>	<u>336</u>
Profit on ordinary activities before interest		3,272	2,702
Net interest payable	6	<u>51</u>	<u>65</u>
Profit on ordinary activities before taxation		3,221	2,637
Tax on profit on ordinary activities	7	<u>1,151</u>	<u>995</u>
Profit for period		2,070	1,642
Dividends	8	<u>675</u>	<u>450</u>
Retained profit for period	17	<u><u>1,395</u></u>	<u><u>1,192</u></u>

There are no recognised gains or losses other than the profit for the period.

No operations were acquired or discontinued during the period.

**FARMFOODS LIMITED**

**BALANCE SHEET  
1 NOVEMBER 1997**

	Note	£000	<u>1997</u> £000	<u>1996</u> £000
<b>Fixed assets</b>				
Tangible assets	9		<u>23,329</u>	<u>22,994</u>
<b>Current assets</b>				
Stocks	10	5,781		7,047
Debtors	11	1,669		2,658
Cash at bank and in hand		<u>4,798</u>		<u>6,336</u>
<b>Creditors: amounts falling due within one year</b>	12		<u>12,248</u> <u>(19,079)</u>	<u>16,041</u> <u>(23,497)</u>
<b>Net current liabilities</b>			<u>(6,831)</u>	<u>(7,456)</u>
<b>Total assets less current liabilities</b>			<u>16,498</u>	<u>15,538</u>
<b>Creditors: amounts falling due after more than one year</b>	13		<u>(700)</u>	<u>(1,100)</u>
<b>Provision for liabilities and charges</b>	14-15		<u>(1,351)</u>	<u>(1,386)</u>
<b>Net assets</b>			<u><u>14,447</u></u>	<u><u>13,052</u></u>
<b>Capital and reserves</b>				
Called up share capital	16		1,500	1,500
Profit and loss account	17		<u>12,947</u>	<u>11,552</u>
<b>Shareholders' funds</b>			<u><u>14,447</u></u>	<u><u>13,052</u></u>

These financial statements were approved by the board of directors on 15 December 1997 and were signed on its behalf by:



**E F G Herd**  
Director

15 December 1997



**FARMFOODS LIMITED**

**CASH FLOW STATEMENT  
FOR THE 52 WEEKS ENDED 1 NOVEMBER 1997**

	Note	<u>1997</u> £000	<u>1996</u> £000
Net cash inflow from operating activities	19(ii)	3,901	7,460
Returns on investment & servicing of finance	19(iii)	(52)	(70)
Taxation		(856)	(663)
Capital expenditure	19(iii)	(3,306)	(2,875)
Equity dividends paid		(825)	(255)
Financing	19(iii)	(400)	(500)
(Decrease)/increase in cash		<u>(1,538)</u>	<u>3,097</u>

# FARMFOODS LIMITED

## NOTES TO THE ACCOUNTS

### 1. Accounting Policies

The financial statements have been prepared in accordance with the historical cost convention and applicable Accounting Standards.

#### **Financial Period**

The financial statements have been prepared for the 52 weeks ended 1 November 1997. The previous financial period was for the 53 weeks ended 2 November 1996.

#### **Depreciation**

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful economic life as follows:

Heritable property - non-retail	50 years
Leasehold property	Period of Lease
Plant and equipment	3-10 years
Motor vehicles	3-5 years

Provision for depreciation on freehold retail property is not considered to be necessary as it is the Company's policy to maintain its properties in good condition which prolongs their useful life and maintains the residual value (based on prices ruling at the date of acquisition or subsequent valuation) and the directors are of the opinion that any depreciation involved would not be material. Costs of repairs and maintenance are charged against revenue in the year in which they are incurred. Any permanent diminution in the value of such properties is charged to the profit and loss account.

#### **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 instalments.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost is calculated by reference to invoiced cost.

#### **Taxation**

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

# FARMFOODS LIMITED

## NOTES TO THE ACCOUNTS

### Leasing and Hire Purchase Commitments

Assets acquired under hire purchase or finance lease agreements are capitalised in the balance sheet and depreciated over their estimated useful economic lives.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

### Pensions

The company operates a defined contribution pension scheme. Contributions are charged to profit as they become payable, in accordance with the rules of the scheme.

### Turnover

Turnover represents all sales and the invoiced amount of services provided stated net of value added tax. All turnover is attributable to retail sales.

### 2. Staff Costs

	1997 £000	1996 £000
Wages and salaries	11,779	11,289
Social security costs	778	746
Other pension costs	204	187
	<u>12,761</u>	<u>12,222</u>

The average weekly number of employees during the period was made up as follows:

	No.	No.
Retail	1,676	1,677
Administration	58	54
	<u>1,734</u>	<u>1,731</u>

### 3. Directors' Remuneration

	1997 £000	1996 £000
Directors' emoluments	<u>717</u>	<u>675</u>
Company contributions to defined contribution pension schemes	<u>69</u>	<u>65</u>
Number of directors for whom benefits are accruing under a defined contribution pension scheme	<u>4</u>	<u>4</u>
Emoluments of the highest paid director	<u>350</u>	<u>325</u>
Company contributions to a defined contribution pension scheme on behalf of the highest paid director	<u>32</u>	<u>31</u>

# FARMFOODS LIMITED

## NOTES TO THE ACCOUNTS

### 4. Pension Costs

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions paid by the Company to the funds and amounted to £204,000 (1996 - £187,000).

### 5. Operating Profit

	1997 £000	1996 £000
This is stated after charging/(crediting):		
Auditors' remuneration: - audit services	33	33
- non-audit services	8	25
Depreciation	3,084	2,809
Operating lease rentals: - property	7,832	6,859
- other	344	423
Rents receivable	(353)	(278)
Government grant release	(68)	(173)

Cost of sales includes warehouse and transportation and all store operating costs.

### 6. Interest

	1997 £000	1996 £000
Bank loans		
Other	102	129
Interest payable	16	3
Interest receivable	118	132
	(67)	(67)
	51	65

### 7. Tax on Profit on Ordinary Activities

Based on the profit for the period:

	1997 £000	1996 £000
Corporation tax at 31.8% (1996 - 33%)	1,172	771
Transfer (from)/to deferred tax	(19)	193
Underprovision/(overprovision) for prior periods	15	50
Deferred tax	(17)	(19)
Corporation tax	1,151	995

Full provision has been made for timing differences which have arisen in the current year.

# FARMFOODS LIMITED

## NOTES TO THE ACCOUNTS

### 8. Dividends

	1997 £000	1996 £000
Ordinary - Interim	525	150
- Final proposed	150	300
	<u>675</u>	<u>450</u>

### 9. Tangible Fixed Assets

	Heritable Property £000	Leasehold Property £000	Plant and Equipment £000	Motor Vehicles £000	Total £000
<b>Cost</b>					
At 2 November 1996	5,023	9,379	22,598	669	37,669
Additions	1,486	233	1,533	303	3,555
Disposals	(58)	(41)	(227)	(308)	(634)
At 1 November 1997	<u>6,451</u>	<u>9,571</u>	<u>23,904</u>	<u>664</u>	<u>40,590</u>
<b>Depreciation</b>					
At 2 November 1996	475	2,728	11,062	410	14,675
Charge for period	78	538	2,349	119	3,084
Disposals	(12)	(23)	(202)	(261)	(498)
At 1 November 1997	<u>541</u>	<u>3,243</u>	<u>13,209</u>	<u>268</u>	<u>17,261</u>
<b>Net book value</b>					
At 1 November 1997	<u>5,910</u>	<u>6,328</u>	<u>10,695</u>	<u>396</u>	<u>23,329</u>
At 2 November 1996	<u>4,548</u>	<u>6,651</u>	<u>11,536</u>	<u>259</u>	<u>22,994</u>

The net book value of leasehold properties comprises:

	1997 £000	1996 £000
Long leasehold	37	39
Short leasehold	<u>6,291</u>	<u>6,612</u>
	<u>6,328</u>	<u>6,651</u>

The net book values of freehold retail property included in heritable property at 1 November 1997 amounted to £2,794,552 (1996 - £1,438,000).

# FARMFOODS LIMITED

## NOTES TO THE ACCOUNTS

### 10. Stocks

	1997 £000	1996 £000
Goods for resale	5,316	6,604
Consumables	465	443
	<u>5,781</u>	<u>7,047</u>

### 11. Debtors

	1997 £000	1996 £000
Trade debtors	143	149
Other debtors	65	531
Prepayments & accrued income	1,461	1,978
	<u>1,669</u>	<u>2,658</u>

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

	1997 £000	1996 £000
Current instalments due on bank loan	400	400
Trade creditors	16,015	20,489
Corporation tax	1,003	741
Other taxes and social security costs	225	254
Proposed dividend	150	300
Accruals & deferred income	1,286	1,313
	<u>19,079</u>	<u>23,497</u>

Bank borrowings are secured by a floating charge over the assets of the Company and by a fixed charge over certain heritable properties.

# FARMFOODS LIMITED

## NOTES TO THE ACCOUNTS

### 13. Creditors: Amounts falling due after one year

	1997 £000	1996 £000
Bank loan amounts due within:		
1 year	400	400
1-2 years	400	400
2-5 years	300	700
	<u>1,100</u>	<u>1,500</u>
Less amount in current liabilities	400	400
	<u>700</u>	<u>1,100</u>

The bank loan is secured in the same manner as bank borrowings repayable within one year and it is fully repayable within five years.

### 14. Provision for Liabilities and Charges

	1997 £000	1996 £000
Deferred tax	1,283	1,250
Government grant	68	136
	<u>1,351</u>	<u>1,386</u>

### 15. Deferred Tax

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

	1997 £000	1996 £000
<b>Provided</b>		
Accelerated Capital Allowances	1,342	1,370
Other timing differences	(21)	(45)
ACT recoverable	(38)	(75)
	<u>1,283</u>	<u>1,250</u>
<b>Not Provided</b>		
Accelerated Capital Allowances	110	203
Capital Gains held over	180	120
	<u>290</u>	<u>323</u>

Movements on deferred tax provision during the year were as follows:

At beginning of year	1,250
Transferred in period	(4)
ACT recoverable	37
	<u>1,283</u>

# FARMFOODS LIMITED

## NOTES TO THE ACCOUNTS

### 16. Called up Share Capital

	<u>Authorised</u>		<u>Allotted, Called up and Fully Paid</u>	
	1997 £000	1996 £000	1997 £000	1996 £000
Ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>	<u>1,500</u>	<u>1,500</u>

### 17. Profit and Loss Account

	1997 £000	1996 £000
The movement in retained profits is analysed below:		
At 2 November 1996		
Retained profit for period	11,552	10,360
At 1 November 1997	<u>1,395</u>	<u>1,192</u>
	<u>12,947</u>	<u>11,552</u>

### 18. Commitments under Operating Lease Agreements

Annual commitments under non-cancellable operating leases are as follows:

	<u>Land &amp; Buildings</u>		<u>Other</u>	
	1997 £000	1996 £000	1997 £000	1996 £000
Operating leases which expire:				
within one year	69	63	18	50
within two to five years	835	718	159	203
in over five years	<u>6,808</u>	<u>6,913</u>	<u>-</u>	<u>-</u>
	<u>7,712</u>	<u>7,694</u>	<u>177</u>	<u>253</u>

### 19. Cash Flow Statement

#### (i) Reconciliation of net cash flow to movement in net funds

	Note	1997 £000	1996 £000
(Decrease)/increase in cash in the period	19(iv)	(1,538)	3,097
Cash outflow from decrease in debt		<u>400</u>	<u>500</u>
Change in net debt		(1,138)	3,597
Net funds at 2.11.96		<u>4,836</u>	<u>1,239</u>
Net funds at 1.11.97		<u>3,698</u>	<u>4,836</u>



# FARMFOODS LIMITED

## NOTES TO THE ACCOUNTS

### (ii) Reconciliation of operating profit to net cash inflow from operating activities

	1997 £000	1996 £000
Operating profit	3,113	2,366
Depreciation	3,084	2,809
Decrease/(Increase) in stocks	1,266	(2,144)
Decrease/(Increase) in debtors	989	(1,461)
(Decrease)/increase in creditors	(4,483)	6,063
Government grant release	(68)	(173)
Net cash inflow from operating activities	<u>3,901</u>	<u>7,460</u>

### (iii) Gross Cash Flows

	1997 £000	1996 £000
Returns on investment & servicing of finance:		
Interest received	67	67
Interest paid	<u>(119)</u>	<u>(137)</u>
	<u>(52)</u>	<u>(70)</u>
Capital expenditure:		
Payments to acquire tangible fixed assets	(3,601)	(3,301)
Receipts from sale of tangible fixed assets	<u>295</u>	<u>426</u>
	<u>(3,306)</u>	<u>(2,875)</u>
Financing:		
Repayment of debt due	<u>(400)</u>	<u>(500)</u>

### (iv) Analysis of changes in net funds

	At 2.11.96 £000	Cash Flows £000	Other Changes £000	At 1.11.97 £000
Cash at bank and in hand	6,336	(1,538)		4,798
Debt due within 1 year	(400)	400	(400)	(400)
Debt due after 1 year	<u>(1,100)</u>		<u>400</u>	<u>(700)</u>
Total	<u>4,836</u>	<u>(1,138)</u>	<u>-</u>	<u>3,698</u>

## FARMFOODS LIMITED

### NOTES TO THE ACCOUNTS

#### 20. Related Party Transactions

Two properties were sold for £249,000 and leased back, on 10-year leases, at £30,000 per annum, to GSC Properties Limited, a company owned by Eric F G Herd.

Distribution services were provided by Link Logistics Limited and its subsidiary, Link Logistics (Scotland) Limited. Net expenditure amounted to £7,680,000 and the net balance outstanding at 1 November 1997 by the Company to Link was £138,000. Eric F G Herd has a majority interest in Link Logistics Limited.

The above transactions were at market value.

#### 21. Capital Commitments

	1997 £000	1996 £000
Contracted for, not provided	<u>125</u>	<u>43</u>