

Galtres Foods Limited

Directors' report and financial
statements

30 July 2000

Registered number 3385960



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 July 2000.

Principal activities

The manufacture and distribution of speciality breads.

Business review

The directors were satisfied with the performance of the Company during the year given the competitive trading conditions in the UK food market. Good sales growth was achieved and further progress is expected in the year to July 2001.

Results and dividends

The trading profit for the year was £10,000 (1999: £7,000). The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who held office during the year were as follows:

Ian Connell

David Owen (non-executive)

Iain Tulloch (non-executive chairman)

Clare White (appointed 5 October 1999)

The directors who held office at the end of the financial year had the following interest in the share capital of Galtres Foods Limited:

		Number of shares	
		Interest at beginning of year	Interest at end of year
Ian Connell	A ordinary	171,429	171,429
	C ordinary	1,500	1,170
David Owen	C ordinary	1,500	1,500
Iain Tulloch	C ordinary	250	250
Clare White	C ordinary	-	100

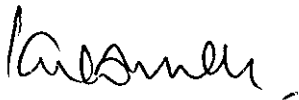
According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, during the financial year.

Directors' report *(continued)*

Auditors

KPMG have expressed their willingness to continue in office as auditors.

By order of the board



Ian Connell
Director

Orchardton Woods
Cumbernauld
Glasgow
G68 9LH

21 February 2001

Statement of directors' responsibilities

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 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;
- 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 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.



24 Blythswood Square
Glasgow
G2 4QS
United Kingdom

Report of the auditors to the members of Galtres Foods Limited

We have audited the financial statements on pages 5 to 17.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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.

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 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.

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the possible outcome of a dispute with a supplier. The future settlement of this dispute could result in either additional liabilities being incurred by the company or recovery of a claim being made by the company. Details of the circumstances relating to this fundamental uncertainty are described in note 21. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 July 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to be 'KPMG' or similar, written over the printed KPMG logo.

KPMG
Chartered Accountants
Registered Auditors

21 February 2001

Profit and loss account
for the year ended 30 July 2000

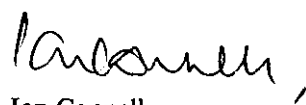
	<i>Note</i>	2000 £000	1999 £000
Turnover			
Continuing operations	2	5,111	4,599
Cost of sales		(2,872)	(2,346)
Gross profit		<u>2,239</u>	<u>2,253</u>
Administrative expenses		(2,157)	(2,104)
Operating profit		<u>82</u>	<u>149</u>
Interest receivable	6	-	6
Interest payable	7	(72)	(148)
Profit on ordinary activities before and after taxation for the financial year	3	<u>10</u>	<u>7</u>

There have been no recognised gains or losses in the year other than the profit for the financial year.

Balance sheet
at 30 July 2000

	<i>Note</i>	2000 £000	1999 £000
Fixed assets			
Intangible assets			
Goodwill	9	53	56
Tangible assets	10	2,071	2,203
Current assets			
Stocks	11	323	350
Debtors	12	665	819
		<u>988</u>	<u>1,169</u>
Creditors: amounts falling due within one year	13	<u>(2,005)</u>	<u>(1,990)</u>
Net current liabilities		<u>(1,017)</u>	<u>(821)</u>
Total assets less current liabilities		<u>1,107</u>	<u>1,438</u>
Creditors: amounts falling due after more than one year	14	<u>(937)</u>	<u>(1,278)</u>
Net assets		<u>170</u>	<u>160</u>
Capital and reserves			
Called up share capital	15	57	57
Share premium account	16	643	643
Profit and loss account	16	(530)	(540)
Equity shareholders funds		<u>170</u>	<u>160</u>

These financial statements were approved by the board of directors on 21 February 2001 and were signed on its behalf by:


Ian Connell
Director

Cash flow statement
for the year ended 30 July 2000

	Note	2000	1999
		£000	£000
Net cash Inflow/(outflow) from operating activities	18	638	(54)
Returns on investment and servicing of finance			
Interest received		-	6
Interest paid		(72)	(148)
		(72)	(142)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(177)	(191)
Net cash outflow from investing activities		(177)	(191)
Net cash inflow/(outflow) before financing		389	(387)
Financing			
Subscription of loan stock		-	370
Capital repayments of finance leases		(370)	(512)
Capital repayments of vendor loan		-	(64)
Capital repayment of loan stock		-	(50)
Net cash outflow from financing		(370)	(256)
Increase/(decrease) in cash	19	19	(643)

Reconciliation of movements in shareholders' funds
for the year ended 30 July 2000

	2000 £000	1999 £000
Profit for the financial year	10	7
Net addition to shareholders' funds	10	7
Opening shareholders' funds	160	153
Closing shareholders' funds	170	160

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and equipment	-	10% per annum
Computer equipment	-	20% per annum
Tooling and originating	-	33 $\frac{1}{3}$ % per annum

Stocks

Stocks are stated at the lower of cost and net realisable value.

Leases

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 over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges are included in creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the net assets acquired of Abel Eastern Limited. Goodwill is amortised over 20 years.

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability the liability will not arise in the foreseeable future.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

Notes (continued)

2 Analysis of turnover

	2000 £000	1999 £000
<i>By geographical market</i>		
United Kingdom	5,065	4,556
Europe	46	43
	<u>5,111</u>	<u>4,599</u>

3 Profit on ordinary activities before and after taxation

	2000 £000	1999 £000
<i>Profit on ordinary activities before and after taxation is stated after charging</i>		
Auditors' remuneration - audit	6	5
- non-audit services	2	2
Depreciation - owned assets	118	76
- leased assets	191	183
	<u>317</u>	<u>266</u>

4 Remuneration of directors

	2000 £000	1999 £000
Directors' emoluments	167	210
	<u>167</u>	<u>210</u>

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2000	1999
Production	61	60
Administration	26	23
	87	83

The aggregate payroll costs of these persons were as follows:

	2000	1999
	£000	£000
Wages and salaries	1,429	1,259
Social security costs	110	109
	1,539	1,368

6 Interest receivable

	2000	1999
	£000	£000
On deposit account	-	6

7 Interest payable and similar charges

	2000	1999
	£000	£000
Bank charges	71	31
Finance charges in respect of finance leases	39	79
Interest on loan stock	(38)	38
	72	148

Interest charges for the year are reduced as a result of the waiver of £110,000 interest due for the current and prior years in respect of the secured loan stock.

8 Taxation

There is no tax payable for the year due to tax losses carried forward from earlier periods.

Notes (continued)

9 Goodwill

	2000 £000
Cost as at 30 July 2000	62
Amortisation	
At 2 August 1999	6
Charge for year	3
At 30 July 2000	9
Net book value at 30 July 2000	53
Net book value at 2 August 1999	56

10 Tangible fixed assets

	Plant and equipment £000	Computer equipment £000	Total £000
Cost			
At 2 August 1999	2,620	64	2,684
Additions	165	12	177
At 30 July 2000	2,785	76	2,861
Depreciation			
At 2 August 1999	466	15	481
Charge for year	295	14	309
At 30 July 2000	761	29	790
Net book value			
At 30 July 2000	2,024	47	2,071
At 2 August 1999	2,154	49	2,203

Included in the total net book value of plant and equipment is £1,326,000 (1999: £1,488,000) in respect of assets held under finance leases. The depreciation charged in respect of those assets was £191,000 (1999: £183,000).

Notes (continued)

11 Stocks

	2000 £000	1999 £000
Raw materials and consumables	294	293
Work in progress	21	27
Finished goods	8	30
	323	350

12 Debtors

	2000 £000	1999 £000
Trade debtors	587	720
VAT recoverable	24	46
Other debtors	19	33
Prepayments and accrued income	35	20
	665	819

13 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Bank overdraft (secured note 1 below)	238	369
Bank loan (secured note 2 below)	353	241
Trade creditors	686	459
Taxation and social security	47	28
Other creditors	3	-
Accruals	213	399
Obligations under finance leases	465	494
	2,005	1,990

Note:

1. The bank overdraft is secured by a debenture ranking after the bank loan
2. The bank loan is secured over certain of the trade debtors and is repayable on demand.

Notes (continued)

14 Creditors: amounts falling due after more than one year

	2000 £000	1999 £000
Obligations under finance leases	217	558
10% secured loan stock	720	720
	937	1,278
	2000 £000	1999 £000
Repayable:		
Between one and two years	212	306
Between two and five years	581	684
In more than five years	144	288
	937	1,278

The loan stock is redeemable between 2002 and 2006 and is secured by a fixed and floating charge over the company's assets. Interest at 10% payable during the year was waived by the holder of the loan.

15 Share capital

	2000 £000	1999 £000
<i>Authorised</i>		
171,429 'A' ordinary shares of 10p each	17	17
14,652 'B' ordinary shares of 10p each (see note below)	1	1
36,750 'B' ordinary shares of £1 each	37	37
3,250 'C' ordinary shares of £1 each	3	3
	58	58
<i>Allotted, called up and fully paid</i>		
171,429 'A' ordinary shares of 10p each	17	17
36,750 'B' ordinary shares of £1 each	37	37
3,250 'C' ordinary shares of £1 each	3	3
	57	57

Notes (continued)

Share capital (continued)

The "A", "B" and "C" ordinary shares rank pari passu in all respects including but not limited to dividend, distribution of assets on a winding up or repayment of capital and are treated as one class of shares.

- The issued shares of the company have the following rights in respect of dividends.

No dividend is to be declared or paid to the holders of the ordinary shares in respect of any financial year of the company without the prior written consent of the holders of not less than 75% of the "B" shares.

- In the event of liquidation or a capital reduction, capital shall be repaid in the following order.

Firstly in paying to the holders of the ordinary shares any arrears of dividend which has been resolved to be paid but which remains unpaid as at the date of return of capital.

Secondly any surplus assets of the Company shall be distributed pari passu among the holders of the Ordinary shares.

16 Reserves

	Profit and loss account £000	Share premium £000
At beginning of year	(540)	643
Retained profit for the year	10	-
	(530)	643

17 Commitments

Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2000 £000	1999 £000
Contracted	-	-

Notes (continued)

18 Reconciliation of operating profit to net cash flow from operating activities

	2000 £000	1999 £000
Operating profit	82	149
Amortisation of goodwill	3	3
Depreciation charge	309	259
Decrease/(increase) in stocks	27	(158)
Decrease/(increase) in debtors	154	(348)
Increase in creditors	63	41
Net cash inflow/(outflow) from operating activities	638	(54)

19 Reconciliation of net cash flow to movements in net debt

	2000 £000	1999 £000
Increase/(Decrease) in cash for the year	19	(643)
Movement in debt financing and finance leases	370	256
Movement in net debt	389	(387)
Net debt at the beginning of the year	(2,382)	(1,995)
Net debt at the end of the year	(1,993)	(2,382)

20 Analysis of net debt

	2000 £000	1999 £000
Bank loan and overdraft	(591)	(610)
Debt due within 1 year	-	-
Debt due after 1 year	(720)	(720)
Finance leases	(682)	(1,052)
Total	(1,993)	(2,382)

Notes *(continued)*

21 Fundamental uncertainty

The Company is currently in dispute with a supplier over the amount owed by the Company to that supplier. The supplier, which is now in receivership, has rendered invoices to the company for amounts totalling £85,000 (net). The company has made no provision for these invoices as it believes that the supplies were defective, that no amounts are due, and that it has a counter claim for lost profits.

22 Post balance sheet events

On 21 February 2001, the ordinary share capital of the company was acquired by Kirpac Limited.