

Registered Number: 3467913

Towers Thompson



**TOWERS THOMPSON HOLDINGS LIMITED
ANNUAL REPORT AND ACCOUNTS 2002**



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DIRECTORS AND ADVISERS

GROUP DIRECTORS

Alan Thompson

Chief Executive

Terry Goddard

Finance Director

EXECUTIVE COMMITTEE

Paul Dolan

Risk Management Director

Dennis Clark

Sales Director

Derek Berry

Distribution Director

Gerard Meyn

Managing Director, Australia

Mogens Smith

European Sales Director

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Turnford Place
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Bankers

Barclays Bank PLC
54 Lombard Street
London
EC3V 9EX

GMAC Commercial Credit Ltd
Sovereign House
Church Street
Brighton
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Solicitors
Travers Smith Braithwaite
10 Snow Hill
London
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GROUP FINANCIAL HIGHLIGHTS

	2002 £'000	2001 £'000
Group Turnover	141,409	125,332
Operating Profit	1,604	2,044
Net Cash Inflow from Operating Activities	402	3,727
Net Assets	9,941	9,646
Net Gearing	21.8%	2.8%



CHIEF EXECUTIVE'S STATEMENT

The end of December 2002 marked the 5th anniversary since the management purchased the company from Hillsdown Holdings plc. The group has continued to make good progress throughout 2002, despite a particularly challenging period for the entire meat and poultry industry. The Group's finances remain strong, with turnover increasing to £141.4M with an operating profit of £1.6M.

As a direct result of strong sales growth, our trading divisions have increased their market share. Our global reach enabled us to maintain our competitive edge and to ship and distribute over 70,000 metric tonnes to the Group's customers around the world.

Our strategy has been to increase our market share in the faster growing areas within the EU meat and poultry sector. With this aim we have continued to aggressively develop our sales of high quality chilled beef and lamb. It has been particularly encouraging to see our trade in these chilled meats more than doubling to nearly 6,000 metric tonnes.

Our distribution depots faced another demanding year in a competitive market environment. The business has had an encouraging start, with the majority of the depots showing an improved performance over the first quarter of last year. After the first quarter's trading, comparative sales were over 14% higher than in the same period for 2002.

Our Danish office showed a strong improvement in all sectors of their business and recorded their best ever year, as they completed their first decade with the group. Whilst both Australia and New Zealand had another good year, their margins were adversely affected by their strengthening dollar. The overall level of success achieved by our overseas divisions is extremely encouraging.

This was a year which often placed enormous demands on our workforce. The quality and dedication of our staff has once again enabled the company to succeed in this fast moving and ever changing market environment. I would like to take this opportunity to thank everyone for their continued efforts and contribution.

As far as the future is concerned we see many opportunities for profitable growth in our existing business. The Group's broad geographical spread and product mix offers a wide range of development options, as well as protection against a volatile market place. Whilst the economic outlook remains uncertain, we have made a good start to the New Year and look forward to another year of continued success.



Alan Thompson
Chief Executive
16 April 2003



REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 December 2002.

Principal Activities

The principal activity of the group is the import, export and wholesale distribution of meat, poultry and dairy products.

Review of Business and Future Developments

Full details of the group's activities are contained in the Chief Executive's statement.

Dividends

The Directors recommend the payment of a final dividend for the year of 35p per share (2001: 35p per share) per each existing 10p ordinary share, totalling £500,000 (2001: £500,000). Interim dividends of 35p per share (2001: 49p per share) were paid in the year totalling £500,000 (2001: £698,000). The total dividend for 2002 is 70p per share (2001: 84p per share) totalling £1,000,000 (2001: £1,198,000).

Directors and Directors' Interests

The directors who served in the year and their beneficial interests in the shares of the company are as follows:

	Towers Thompson Holdings Ltd 10p Ordinary Shares 1 January and 31 December 2002
A P Thompson	* 420,000
T G Goddard	300,000

*Includes 120,000 ordinary shares in which A P Thompson has a non beneficial interest.

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

Political and Charitable Donations

The group made no political contributions during the current or prior year. Donations to UK charities amounted to £2,000 (2001: £2,000).



REPORT OF THE DIRECTORS CONTINUED...

Employment of Disabled Persons

The group's policy and practice is to encourage and where possible assist the employment of disabled people and to retain employees who become disabled.

Employees

It is the group's policy to involve all employees in the decision making process. All members of staff regularly attend departmental meetings at which matters of general interest are discussed. The group produces a newsletter on a regular basis to inform employees of news and events. The financial performance of the group is displayed on our website www.towers-thompson.co.uk.

Auditors

KPMG were re-appointed auditors at the Annual General Meeting. However, since that date their business was transferred to a Limited Liability Partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 22 May 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



P Dolan

Secretary

16 April 2003

Towers Thompson Holdings Ltd
Turnford Place
Great Cambridge Road
Turnford
Broxbourne
Hertfordshire
EN10 6NH



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 the group 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 a going concern basis unless it is inappropriate to presume that the group 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 group and to prevent and detect fraud and other irregularities.



INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF TOWERS THOMPSON HOLDINGS LTD

We have audited the financial statements on pages 7 to 24.

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 had been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assure 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

The directors are responsible for preparing the directors' report and, as described on page 5, 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 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 group is not disclosed.

Basis of Audit 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 group'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 the affairs of the company and the group as at 31 December 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditors
Aquis Court
31 Fishpool Street
St. Albans
Hertfordshire
AL3 4RF

16 April 2003



CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Year Ended 31 December 2002 £'000	Year Ended 31 December 2001 £'000
Turnover	1, 2	141,409	125,332
Cost of sales		<u>(127,706)</u>	<u>(112,671)</u>
Gross Profit		13,703	12,661
Distribution costs		(2,919)	(2,226)
Administrative expenses		(9,180)	(8,391)
Operating Profit	4	<u>1,604</u>	<u>2,044</u>
Interest receivable and similar income	5	37	48
Interest payable and similar charges	6	<u>(419)</u>	<u>(263)</u>
Profit on Ordinary Activities before Taxation		1,222	1,829
Tax on profit on ordinary activities	7	(7)	(366)
Profit on Ordinary Activities after Taxation		<u>1,215</u>	<u>1,463</u>
Dividends	9	(1,000)	(1,198)
Retained Profit for the financial year	20	<u>215</u>	<u>265</u>

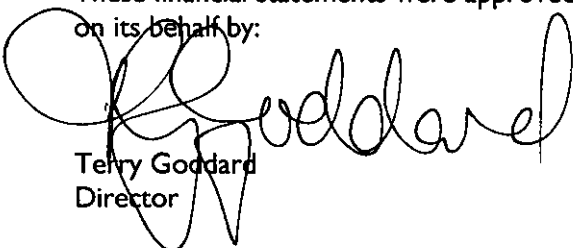
All of the group's turnover and operating profit relate to continuing activities. There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical basis.



**CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2002**

	Note	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Fixed Assets					
Tangible assets	10		1,735		1,652
Current Assets					
Stocks	12	7,337		7,378	
Debtors	13	14,013		12,954	
Investments	14	2		32	
Cash at bank and in hand		2,828		2,517	
		<u>24,180</u>		<u>22,881</u>	
Creditors: amounts falling due within one year	15	<u>(15,186)</u>		<u>(13,902)</u>	
Net current assets			<u>8,994</u>		<u>8,979</u>
Total assets less current liabilities			10,729		10,631
Creditors: amounts falling due after one year	16		(788)		(785)
Provision for liabilities and charges	18		<u>-</u>		<u>(200)</u>
Net assets			<u>9,941</u>		<u>9,646</u>
Capital and Reserves					
Called up share capital	19		142		142
Reserves	20		9,799		9,504
Equity Shareholders' funds			<u>9,941</u>		<u>9,646</u>

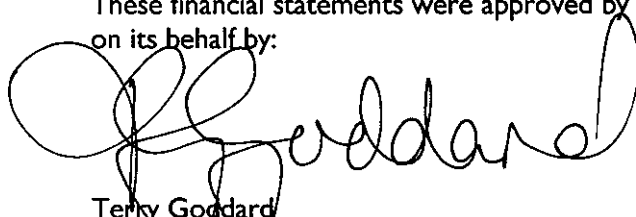
These financial statements were approved by the board of directors on 16 April 2003 and were signed on its behalf by:


Terry Goddard
Director

COMPANY BALANCE SHEET

	Note	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Fixed Assets					
Investments	11		7,625		7,625
Current Assets					
Investments	14	2		2	
Cash at bank and in hand		549		315	
		<u>551</u>		<u>317</u>	
Creditors due within one year	15	<u>(7,973)</u>		<u>(7,722)</u>	
Net current liabilities			<u>(7,422)</u>		<u>(7,405)</u>
Total assets less current liabilities			203		220
Net assets			<u>203</u>		<u>220</u>
Capital and Reserves					
Called up share capital	19		142		142
Reserves	20		61		78
Equity Shareholders' funds			<u>203</u>		<u>220</u>

These financial statements were approved by the board of directors on 16 April 2003 and were signed on its behalf by:


Terry Goddard
Director



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Cash Flow from Operating Activities	(a)		402		3,727
Returns on Investments and Servicing of Finance					
Interest Paid		(419)		(263)	
Interest Received		<u>37</u>		<u>48</u>	
			(382)		(215)
Taxation			(421)		(146)
Capital Expenditure					
Purchase of tangible fixed assets		(622)		(896)	
Sale of tangible fixed assets		63		72	
Sale of current investments		<u>9</u>		<u>-</u>	
			(550)		(824)
Equity Dividends Paid			(999)		(998)
Cash Inflow before financing			<u>(1,950)</u>		<u>1,544</u>
Financing					
Finance Leases		309		683	
Lease Capital Payments		<u>(238)</u>		<u>(106)</u>	
			71		577
(Decrease)/Increase in cash in the year			<u><u>(1,879)</u></u>		<u><u>2,121</u></u>
 (a) Net cashflow from operating activities					
Operating profit			1,604		2,044
Depreciation			470		421
Loss on sale of tangible fixed assets			11		8
Loss on disposal of current investments			21		-
Decrease in Stock			41		799
(Increase)/Decrease in Debtors			(762)		646
Decrease in Creditors			(1,011)		(61)
Exchange movement on net current assets			28		(130)
Net Cash Inflow from Operating Activities			<u><u>402</u></u>		<u><u>3,727</u></u>

CONSOLIDATED CASH FLOW STATEMENT CONTINUED

	At 1 January 2002	Cash Flow	New Leases	Exchange Difference	At 31 December 2002
	£'000	£'000	£'000	£'000	£'000
Analysis of Movement in Net Debt					
Cash	2,517	225		86	2,828
Bank Overdraft	(1,750)	(2,104)		(26)	(3,880)
Finance Lease due within one year	(256)		(68)		(324)
Finance Lease due after one year	(785)		(3)		(788)
	<u>(274)</u>	<u>(1,879)</u>	<u>(71)</u>	<u>60</u>	<u>(2,164)</u>

2002	2001
£'000	£'000

Reconciliation of Cash Flow to Movement in Net Debt

(Decrease)/Increase in cash in hand	(1,879)	2,121
(Less) Cash inflow from increase in debt	(71)	(577)
Change in net funds resulting from cash flows	<u>(1,950)</u>	<u>1,544</u>
Translation differences	60	66
Movement in net funds in year	<u>(1,890)</u>	<u>1,610</u>
Net debt at beginning of year	(274)	(1,884)
Net debt at end of year	<u>(2,164)</u>	<u>(274)</u>

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2002**

	2002 £'000	2001 £'000
Profit attributable to members of the group before dividends	1,222	1,829
Translation gain/(loss)	80	(57)
Total recognised gains for the year	<u>1,302</u>	<u>1,772</u>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2002**

	The Group 2002 £'000	The Company 2002 £'000	The Group 2001 £'000	The Company 2001 £'000
Profit after tax for the financial year	1,215	-	1,463	-
Dividend received and receivable	-	983	-	970
Dividend paid and payable	<u>(1,000)</u> 215	<u>(1,000)</u> (17)	<u>(1,198)</u> 265	<u>(1,198)</u> (228)
Translation gain/(loss)	80	-	(57)	-
Net addition to/(reduction in) shareholders funds	<u>295</u>	<u>(17)</u>	<u>208</u>	<u>(228)</u>
Opening shareholders' funds	9,646	220	9,438	448
Closing shareholders' funds	<u>9,941</u>	<u>203</u>	<u>9,646</u>	<u>220</u>



NOTES TO THE ACCOUNTS

I. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group accounts. The company has followed the transitional arrangements for FRS17 "Retirement Benefits". The company has also adopted FRS18 "Accounting Policies" and FRS19 "Deferred Tax" in these financial statements.

Basis of preparation

The accounts have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules, modified to include the revaluation of certain land and buildings.

Deferred Taxation

The Group has implemented FRS19 this year. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date. Full provision is made for all timing differences except as otherwise required by FRS19. Deferred tax assets are recognised to the extent that they are regarded as recoverable.

Basis of Consolidation

The consolidated accounts comprise the accounts of the company and its subsidiary undertakings at 31 December 2002. The acquisition method of consolidation has been adopted. Under this method, the results of subsidiary undertakings are accounted for in the consolidated profit and loss account from the date of acquisition, or up to the effective date of disposal.

As all subsidiaries are 100% owned the company has taken advantage of the exemption contained in paragraph 3 of FRS 8 not to disclose transactions and balances with companies forming part of the Towers Thompson Holdings Limited Group.

Turnover

Turnover represents the invoiced value of sales during the year excluding transactions between companies within the group and excluding value added tax where applicable. Turnover is recognised upon delivery or dispatch of the goods or services.

Depreciation and Amortisation

The cost or valuation of tangible fixed assets, is written off on a straight line basis over their estimated useful lives. Principal rates of depreciation in use by the group are:-

Freehold buildings	-	50 - 100 years
Leasehold property	-	Period of Lease
Plant and equipment	-	15%-20% per annum
Motor vehicles	-	20%-25% per annum

NOTES TO THE ACCOUNTS CONTINUED...

1. ACCOUNTING POLICIES - (Continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises purchase price including freight, insurance, landing charges and transport.

Investments

Current asset investments are stated at cost.

Foreign Currency Translation

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

The accounts of foreign subsidiaries are translated into sterling at the closing rate of exchange and differences arising from the translation of the opening net investment in the subsidiary at the closing rate are taken directly to reserves including loans and investments of a non current nature. Other exchange differences are dealt with through the profit and loss account.

Leases

Assets held under finance lease contracts are capitalised in the balance sheet and are depreciated over their useful lives. Interest is charged to the profit and loss account in proportion to the capital repayments outstanding. Rentals payable under operating leases are charged against income on a straight line basis over the life of the lease.

Pension Costs

The Group operates both a defined contribution scheme and pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Group in independently administered funds. The amount charged against profits in respect of the defined contribution scheme represents the contributions payable to the scheme in respect of the accounting period. Contributions to the final salary schemes are charged to the profit and loss accounts so as to spread the cost of pensions over employees' working lives with the group.

2. ANALYSIS OF TURNOVER AND PROFIT BEFORE TAXATION

All the group's turnover and profit before taxation is derived from the group's main activity, meat and poultry wholesaling.

Turnover is analysed by geographical market as follows:

	2002 £'000	2001 £'000
United Kingdom	96,068	79,796
Europe	18,316	14,769
Rest of the World	27,025	30,767
	<u>141,409</u>	<u>125,332</u>



NOTES TO THE ACCOUNTS CONTINUED...

3. EMPLOYEES AND DIRECTORS

The average number of employees, including directors, during the year was as follows:

	2002	2001
	Number of Employees	
Management	12	11
Administration	46	46
Production & distribution	147	142
	<u>205</u>	<u>199</u>

The aggregate payroll costs for these persons were as follows:

	2002	2001
	£'000	£'000
Wages and salaries	5,126	4,802
Social security costs	470	430
Other pension costs	197	139
	<u>5,793</u>	<u>5,371</u>

The emoluments of the directors were as follows:

	2002	2001
	£'000	£'000
Remuneration paid to executive directors	284	282
Pension contributions	34	3
	<u>318</u>	<u>285</u>

The remuneration paid to the Chairman, who is also the highest paid director, excluding pension contributions, amounted to £161,000 (2001: £135,000). Pension contributions of £17,000 (2001: £2,000) were paid on behalf of the Chairman during the year. Both directors accrued retirement benefits under a company defined benefit scheme in both the current and the previous year.

4. OPERATING PROFIT

Operating profit is stated after charging:

	2002	2001
	£'000	£'000
Auditors' remuneration:		
Auditing services	73	76
Other services	14	12
Operating lease charges:		
Plant & Machinery	262	356
Property	401	418
Depreciation – owned assets	255	303
- leased assets	215	118
Loss on disposal of fixed assets	<u>11</u>	<u>8</u>



NOTES TO THE ACCOUNTS CONTINUED...

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £'000	2001 £'000
On bank deposits	37	48

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £'000	2001 £'000
On bank loans and overdrafts repayable within five years	361	235
On lease purchase contracts	58	28
	<u>419</u>	<u>263</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £'000	2001 £'000
Analysis of charge in year		
United Kingdom		
Corporation Tax at 30% (2001: 30%)	200	300
Adjustment to prior year's Corporation Tax	(4)	(71)
Total UK Corporation Tax	<u>196</u>	<u>229</u>
Foreign Tax		
Corporation Taxes	107	137
Total Current Tax	<u>303</u>	<u>366</u>
Deferred Tax		
Origination and reversal of timing differences	(296)	-
Representing		
United Kingdom	(117)	-
Foreign Tax	(179)	-
Total deferred tax	<u>(296)</u>	<u>-</u>
Tax on profit on ordinary activities	<u>7</u>	<u>366</u>

NOTES TO THE ACCOUNTS CONTINUED...

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Factors affecting tax charge for the period

The tax assessed for the period is lower (2001: lower) than the rate of corporation tax in the UK (30%). The differences are explained below;

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	1,222	1,829
Current tax at 30%	366	548
Effects of		
Adjustments to tax charge in respect of prior periods	(4)	(71)
Expenses not deductible for tax purposes	(11)	(34)
Capital allowances for year in excess of depreciation	(44)	(86)
Loss on disposal	4	4
Utilisation of overseas tax losses	(26)	-
Other timing differences	18	5
Total current tax charge (see above)	<u>303</u>	<u>366</u>

8. PROFIT FOR THE FINANCIAL YEAR

In accordance with section 230(4) of the Companies Act 1985 the company is exempt from the requirements to present its own profit and loss account in these financial statements. The profit after taxation for the financial year dealt with in the financial statements of the company was £1,183,000 (2001: profit £970,000).

9. DIVIDENDS

	2002 £'000	2001 £'000
Interims paid at 35p per share (2001: 49p per share)	500	698
Final proposed dividend of 35p per share (2001: 35p per share)	500	500
	<u>1,000</u>	<u>1,198</u>



NOTES TO THE ACCOUNTS CONTINUED...

10. TANGIBLE FIXED ASSETS

The Group	Freehold Land and Buildings £'000	Short Leasehold Property £'000	Plant Equipment and Vehicles £'000	Total £'000
Cost				
At 1 January 2002	139	135	4,114	4,388
Exchange Difference	-	-	15	15
Additions	-	3	619	622
Disposals	-	-	(269)	(269)
At 31 December 2002	<u>139</u>	<u>138</u>	<u>4,479</u>	<u>4,756</u>
Depreciation				
At 1 January 2002	-	119	2,617	2,736
Exchange Difference	-	-	10	10
Charge for Year	-	11	459	470
Disposals	-	-	(195)	(195)
At 31 December 2002	<u>-</u>	<u>130</u>	<u>2,891</u>	<u>3,021</u>
Net Book Value				
At 31 December 2002	<u>139</u>	<u>8</u>	<u>1,588</u>	<u>1,735</u>
At 1 January 2002	<u>139</u>	<u>16</u>	<u>1,497</u>	<u>1,652</u>

The net book value of Plant, Equipment and Vehicles includes an amount of £1,110,000 in respect of assets held under lease purchase contracts (2001: £1,002,000). Depreciation charged to the profit and loss account on these assets during the year was £215,000 (2001: £118,000). Depreciation is not charged on freehold land, which is stated at historical cost of £120,000 (2001: £120,000).

11. INVESTMENTS

	Shares in Subsidiary Undertakings £'000
The Company	
At 1 January and 31 December 2002	<u>7,625</u>

The principal subsidiary undertakings all of which are wholly owned are as follows:

Operating Subsidiary	Activity	Ordinary Share Capital
Towers & Co Ltd	Meat Wholesaler	100%
Towers Thompson A/S	Meat Wholesaler	100%
Towers Thompson (Australia) Pty Ltd	Meat Wholesaler	100%
Towers Thompson (New Zealand) Ltd	Meat Wholesaler	100%

These subsidiaries are incorporated in the UK, Denmark, Australia and New Zealand respectively. The results of these companies are included within these financial statements.



NOTES TO THE ACCOUNTS CONTINUED...

12. STOCKS

	The Group 2002 £'000	The Company 2002 £'000	The Group 2001 £'000	The Company 2001 £'000
Finished goods	7,337	-	7,378	-

13. DEBTORS

	The Group 2002 £'000	The Company 2002 £'000	The Group 2001 £'000	The Company 2001 £'000
Amounts receivable within one year:				
Trade debtors	13,159	-	12,298	-
Other debtors including VAT	406	-	551	-
Prepayments and accrued income	143	-	105	-
	<u>13,708</u>	<u>-</u>	<u>12,954</u>	<u>-</u>
Amounts receivable after more than one year:				
Deferred tax asset	305	-	-	-
	<u>14,013</u>	<u>-</u>	<u>12,954</u>	<u>-</u>

14. CURRENT ASSET INVESTMENTS

	The Group 2002 £'000	The Company 2002 £'000	The Group 2001 £'000	The Company 2001 £'000
At 31 December 2002:				
Cost value of listed investments	2	2	32	2
Market value of listed investments	<u>1</u>	<u>1</u>	<u>7</u>	<u>1</u>

15. CREDITORS DUE WITHIN ONE YEAR

	The Group 2002 £'000	The Company 2002 £'000	The Group 2001 £'000	The Company 2001 £'000
Bank overdrafts	3,880	-	1,750	-
Obligations under finance leases & hire purchase contracts (see note 17)	324	-	256	-
Trade creditors	6,082	-	7,072	-
Amount owed to subsidiary undertakings	-	7,473	-	7,222
Corporation tax	200	-	303	-
Other taxes and social security	380	-	394	-
Other creditors	468	-	162	-
Accruals and deferred income	3,352	-	3,465	-
Dividends proposed (see note 9)	500	500	500	500
	<u>15,186</u>	<u>7,973</u>	<u>13,902</u>	<u>7,722</u>

The majority of the group's bank overdrafts are secured by a debenture.



NOTES TO THE ACCOUNTS CONTINUED...

16. CREDITORS DUE AFTER ONE YEAR

	The Group 2002 £'000	The Company 2002 £'000	The Group 2001 £'000	The Company 2001 £'000
Obligations under finance leases & hire purchase contracts (see note 17)	788	-	785	-

17. OBLIGATIONS UNDER LEASE PURCHASE CONTRACTS

	Group	
	2002 £'000	2001 £'000
Amounts payable:		
Within one year	367	256
In two to five years	830	785
	<u>1,197</u>	<u>1,041</u>
Less: finance charges allocated to future periods	85	-
	<u>1,112</u>	<u>1,041</u>
Lease purchase contracts are analysed as follows:		
Current obligations	324	256
Non current obligations	788	785
	<u>1,112</u>	<u>1,041</u>

18. PROVISIONS FOR LIABILITIES AND CHARGES

	The Group	
	2002 £'000	2001 £'000
Other Creditors at 31 December	-	200

Deferred taxation

Deferred taxation provided in the accounts is as follows:

	Amount Provided		Amount Unprovided	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Tax effect of timing differences	(4)	-	-	(35)
Excess of tax allowances over depreciation	(113)	-	-	(139)
Foreign	(33)	-	-	(9)
Losses	(155)	-	-	(179)
Deferred tax asset at 31 December 2002	<u>(305)</u>	<u>-</u>	<u>-</u>	<u>(362)</u>

NOTES TO THE ACCOUNTS CONTINUED...

19. SHARE CAPITAL

At 1 January and 31
December 2002
£'000**Authorised**

Equity: 1,500,000 ordinary shares of £0.10 each

150

Allotted, Called Up and Fully Paid

Equity: 1,425,000 ordinary shares of £0.10 each

142

On 14 April 2000 options were granted to employees over 55,900 ordinary shares of ten pence each at an exercise price of £5.50. The options are exercisable between 3 and 10 years, subject to the business being sold or obtaining a quotation on a recognised Stock Exchange.

20. RESERVES

	Capital Redemption Reserve £'000	Profit and Loss Account £'000	Total £'000
The Group			
At 1 January 2002	8	9,496	9,504
Retained profit for the year	-	215	215
Translation gain	-	80	80
At 31 December 2002	8	9,791	9,799
The Company			
At 1 January 2002	8	70	78
Retained loss for the year	-	(17)	(17)
At 31 December 2002	8	53	61

21. PENSION COSTS

Contributions in respect of the Towers Scheme are determined on a money purchase (defined contribution) basis and the pension costs of £87,000 (2001: £89,000) reflects the amount of contributions during the calendar year.

Contributions to the group's defined benefits scheme are charged to the profit and loss account so as to spread the cost of the pension over the employees' working lives with the Company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The most recent actuarial valuation for the John Silver Scheme was carried out on 1 November 2000 and assessed on the Minimum Funding Requirement basis (MFR). The realisable value of the Scheme's assets at that date were £1,850,000 and the actuarial value of those assets represented 118% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The assumptions used which have the most significant effect on the results of the valuations are those relating to the rate of return on U.K. equities (9%), gilts (8%), and the rate of increase in salaries (6% p.a.), and pension increases (3½ % p.a.).



NOTES TO THE ACCOUNTS CONTINUED...

21. PENSION COSTS – (Continued)

Since 1 November 2001 on the advice of the Scheme Actuary the Company has been paying contributions at the standard Company contribution rate of 15% of Pensionable Earnings.

The last actuarial valuation for the John Silver Scheme as at 31 October 1999 showed a market value of assets of £985,000 and that actuarial value of those assets represented 113% of the liabilities, after allowing for expected future increases in earnings. The key assumptions were the rate of return on investments would exceed price inflation by 5% per annum and salary escalation by 2.5% per annum with pensions in payment increasing as required by statute and in accordance with the rules of the Scheme.

The actuarial valuation of the scheme at 1 November 2000 was updated to 31 December 2002 on a set of assumptions consistent with those required under FRS17 by a qualified actuary. The major assumptions used by the actuary were:

	31 December 2002 £'000	31 December 2001 £'000
Rate of increase in pensionable salaries	2.5%	2.7%
Rate of increases in pensions in payment (3% pre 06.04.97)	3.0%	3.0%
Rate of increases in pensions in payment (LPI with a minimum of 3%)	3.0%	3.0%
Discount rate	5.4%	5.8%
Rate of revaluation of deferred pensions	2.5%	2.7%
Inflation assumption	2.5%	2.7%
	Long-term rate of return expected at 31 December 2002	Long-term rate of return expected at 31 December 2001
	Value at £'000	Value at £'000
Equities	6.50% 1,093	1,136
Bonds	4.50% 163	533
Others	4.50% 122	22
Overall total market value of assets	6.1% 1,378	7.0% 1,691
Present value of scheme liabilities	(2,405)	(1,988)
Deficit in the scheme	(1,027)	(297)

Analysis of charge that would be made to the profit and loss account over the financial year :

Current service cost	68
Interest on pension scheme liabilities	118
Expected return on pension scheme assets	(121)
	65



NOTES TO THE ACCOUNTS CONTINUED...

21. PENSION COSTS – (Continued)

Analysis of amounts which would be included within the statement of total recognised gains and losses

	Amount £'000	Percentage of scheme assets At 31 December 2002
Difference between expected and actual return on assets	(559)	41%
Experience gains and losses arising on the scheme liabilities	(66)	5%
Effect of changes in the demographic & financial assumptions underlying the present value of the scheme liabilities	(142)	10%
Actuarial loss recognised in statement of total recognised gains and losses	<u>(767)</u>	

Movement of balance sheet deficit figures during the year

	2002 £'000
Deficit in scheme at beginning of year	(297)
Movement in year:	
Current service cost	(68)
Contributions	102
Return on assets/net interest	3
Actuarial loss	(767)
Deficit in scheme at end of the year	<u>(1,027)</u>

	At 31 December 2002 £'000	At 31 December 2001 £'000
Net Assets		
Net assets excluding Pension deficit	9,941	9,646
Pension deficit	(1,027)	(297)
Net assets including pension deficit	<u>8,914</u>	<u>9,349</u>
Profit and loss reserve		
Net profit and loss reserve	9,791	9,496
Pension deficit	(1,027)	(297)
Net profit and loss reserve including pension deficit	<u>8,764</u>	<u>9,199</u>

The scheme has a small number of pensions in payment relating to previous member retirements, which have been fully secured through an insurance company. The value of these insured liabilities has been excluded from the calculation of the present scheme liabilities. Similarly the market value of assets held by the insurance companies in respect of these policies has been excluded from the company's above disclosure.

NOTES TO THE ACCOUNTS CONTINUED...

21. PENSION COSTS – (Continued)

History of experience gains and losses

	2002
Difference between the expected and actual return on scheme assets:	
amount (£'000)	(559)
percentage of scheme assets	(41%)
Experience gains and losses on scheme liabilities	
amount (£'000)	(66)
percentage of the present value of the scheme liabilities	(3%)
Total amount which would be included within statement of total recognised gains and losses:	
amount (£'000)	(767)
percentage of the present value of the scheme liabilities	(32%)

22. COMMITMENTS

The minimum annual lease payments to which the group and the company were committed under non-cancellable operating leases at 31 December 2002 were as follows:

	Land & Buildings 2002 £'000	Plant Equipment & Vehicles 2002 £'000	Land & Buildings 2001 £'000	Plant Equipment & Vehicles 2001 £'000
The Group and the Company				
Operating leases which expire :				
Within one year	118	43	123	34
In second to fifth year inclusive	198	19	200	80
Over five years	36	-	11	-
	<u>352</u>	<u>62</u>	<u>334</u>	<u>114</u>