CHALMERS BAKERY LIMITED

ACCOUNTS

31 MARCH 1998

Company Registration Number 92467

RITSON SMITH
Chartered Accountants & Registered Auditors
16 Carden Place
Aberdeen
AB10 1FX

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COMPANIES HOUSE 24/09/98

CHALMERS BAKERY LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 MARCH 1998

The directors have pleasure in presenting their report and the accounts of the company for the year ended 31 March 1998.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was the manufacture and retailing of bakery produce.

On 1 April 1997, the company acquired the assets and trade of its subsidiary company, Chalmers of Deeside Limited.

The directors consider the company's financial position at the end of the year to be satisfactory and intend to continue to expand the company's activity in the area in which it currently operates.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached accounts.

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 31 March 1998	**At 1 April 1997**
Ronald M Chalmers	62,500	70,000
Annabella M Chalmers	62,500	70,000
John A Chalmers	25,000	20,000
Alastair Rait	-	-
Pamela Chalmers	25,000	20,000

DIRECTORS' RESPONSIBILITIES

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 at the end of the year and of the profit or loss for the year then ended.

DIRECTORS' RESPONSIBILITIES (continued)

In preparing those accounts, the directors are required to:

select suitable accounting policies, as described on pages 8 to 9, and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

prepare the accounts 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 accounts comply with the Companies Act 1985. The directors 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.

AUDITORS

A resolution to re-appoint Ritson Smith as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
15 Golden Square
Aberdeen

Signed on behalf of the directors



BURNETT AND REID
Secretaries

Approved by the directors on 17 Sept. 1998

CHALMERS BAKERY LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 MARCH 1998

We have audited the accounts on pages 4 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 9.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on pages 1 to 2, the company's directors are responsible for the preparation of the accounts. 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 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 information in the accounts.

OPINION

In our opinion the accounts give a true and fair view of the company's state of affairs as at 31 March 1998 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

RITSON SMITH
Chartered Accountants
& Registered Auditors

16 Carden Place
Aberdeen
AB10 1FX

17 Sept 1998

CHALMERS BAKERY LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 1998

	Note	1998 £	1997 £
TURNOVER	2	4,602,962	2,939,061
Cost of sales		2,052,241	1,432,193
GROSS PROFIT		2,550,721	1,506,868
Distribution costs		987,058	597,930
Administrative expenses		1,387,601	867,840
Other operating income		(29,018)	-
OPERATING PROFIT	3	205,080	41,098
Interest receivable		18,925	3,197
Interest payable	6	(1,247)	(999)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		222,758	43,296
Tax on profit on ordinary activities	7	48,839	12,739
RETAINED PROFIT FOR THE FINANCIAL YEAR		173,919	30,557
Balance brought forward		373,205	342,648
Balance carried forward		547,124	373,205

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

The notes on pages 8 to 18 form part of these accounts.

CHALMERS BAKERY LIMITED

BALANCE SHEET

AS AT 31 MARCH 1998

	Note	1998 £	1998 £	1997 £	1997 £
FIXED ASSETS					
Tangible assets	8		984,576		630,282
Investments	9		75,000		75,000
			1,059,576		705,282
CURRENT ASSETS					
Stocks	10	56,037		61,819	
Debtors	11	154,513		183,991	
Cash at bank and in hand		282,229		137,595	
		492,779		383,405	
CREDITORS: Amounts falling due within one year	12	767,206		499,733	
NET CURRENT LIABILITIES			274,427		116,328
TOTAL ASSETS LESS CURRENT LIABILITIES			785,149		588,954
CREDITORS: Amounts falling due after more than one year	13		32,177		15,749
			752,972		573,205
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	15		5,848		-
			747,124		573,205
CAPITAL AND RESERVES					
Called-up equity share capital	20		200,000		200,000
Profit and loss account			547,124		373,205
SHAREHOLDERS' FUNDS	21		747,124		573,205

These accounts were approved by the directors on the 17 Sept 1998, and are signed on their behalf by:

Ronald M Chalmers

RONALD M CHALMERS
Director

The notes on pages 8 to 18 form part of these accounts.

CHALMERS BAKERY LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 1998

	Note	1998 £	1998 £	1997 £	1997 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	22		429,953		208,140
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		9,711		3,197	
Interest paid		(123)		-	
Interest element of finance lease rental payments		(1,124)		(999)	
Net cash inflow from returns on investments and servicing of finance			8,464		2,198
TAXATION			(15,780)		(37,524)
CAPITAL EXPENDITURE					
Payments to acquire tangible fixed assets		(287,738)		(222,608)	
Receipts from sale of fixed assets		401		493	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE			(287,337)		(222,115)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING			135,300		(49,301)
FINANCING					
Net inflow in respect of finance leases		9,334		20,999	
NET CASH INFLOW FROM FINANCING			9,334		20,999
INCREASE/(DECREASE) IN CASH	23		144,634		(28,302)

The notes on pages 8 to 18 form part of these accounts.

This cash flow statement has been prepared in accordance with the revised Statement of Standard Accounting Practice set out in Financial Reporting Standard 1 (Revised 1996) issued in October 1996 by the Accounting Standards Board. All comparatives have been restated to comply with the new Standard.

1. ACCOUNTING POLICIES

Basis of accounting
The accounts have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Consolidation
In the opinion of the directors, the company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

Turnover
The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Depreciation
Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Heritable property	- 5% straight line
Bakery plant	- 15% straight line
Shop & office fittings	- 15% / 20% straight line
Motor vehicles	- 25% straight line
Office fittings	- 20% straight line
Tenants improvements	- 5% straight line
Lease premium	- over period of lease

Stocks
Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Hire purchase agreements
Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account.

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

1. ACCOUNTING POLICIES *(continued)*

Operating lease agreements
Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits as incurred.

Pension costs
The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account

Deferred taxation
Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	1998 £	1997 £
United Kingdom	4,602,962	2,939,061

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	1998 £	1997 £
Staff pension contributions	3,863	4,170
Depreciation	208,443	140,938
Profit on disposal of fixed assets	(400)	(493)
Auditors' remuneration		
- as auditors	5,000	5,000
Operating lease costs:		
Plant and equipment	1,227	2,500
Vehicles	-	5,544

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	1998 No.	1997 No.
Production	34	18
Distribution	179	150
Administrative	9	9
	222	177

The aggregate payroll costs of the above were:

	1998 £	1997 £
Wages and salaries	1,690,234	1,055,932
Social security costs	112,886	70,460
Other pension costs	19,424	19,731
	1,822,544	1,146,123

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments, including pension contributions, in respect of qualifying services were:

	1998 £	1997 £
Emoluments receivable	173,448	179,471
Value of company pension contributions to money purchase schemes	15,561	15,561
	189,009	195,032

The number of directors who are accruing benefits under company pension schemes were as follows:

	1998 No.	1997 No.
Money purchase schemes	5	5

6. INTEREST PAYABLE

	1998 £	1997 £
Finance charges	1,124	999
Other similar charges payable	123	-
	1,247	999

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

		1998 £		1997 £
In respect of the year:				
Corporation tax based on the results for the year at 21% (1997 - 24%)		42,452		15,241
Increase in deferred tax provision		10,137		-
		52,589		15,241
Adjustments in respect of previous years:				
Corporation tax	539		(2,502)	
Deferred tax	(4,289)		-	
		(3,750)		(2,502)
		48,839		12,739

8. TANGIBLE FIXED ASSETS

	Property £	Bakery plant £	Shop & office fittings £	Motor vehicles £	Lease premium & tenants improve. £	Total £
COST						
At 1 Apr 1997	200,335	457,926	487,092	212,231	241,924	1,599,508
Additions	212,580	141,182	77,520	97,706	33,750	562,738
Disposals	-	-	-	(5,130)	-	(5,130)
At 31 Mar 1998	412,915	599,108	564,612	304,807	275,674	2,157,116
DEPRECIATION						
At 1 Apr 1997	62,725	356,717	289,614	154,113	106,057	969,226
Charge for the year	20,888	54,000	62,273	53,206	18,076	208,443
On disposals	-	-	-	(5,129)	-	(5,129)
At 31 Mar 1998	83,613	410,717	351,887	202,190	124,133	1,172,540
NET BOOK VALUE						
At 31 Mar 1998	329,302	188,391	212,725	102,617	151,541	984,576
At 31 Mar 1997	137,610	101,209	197,478	58,118	135,867	630,282

Hire purchase and finance lease agreements

Included within the net book value of £984,576 is £18,000 (1997 - £Nil) relating to assets held under hire purchase agreements, and £16,800 (1997 - £20,400) relating to assets held under finance lease agreements. The depreciation charged in the year in respect of assets held under hire purchase agreements amounted to £6,000 (1997 - £Nil), and £3,600 (1997 - £3,600) in respect of assets held under finance lease agreements.

Capital commitments

	1998 £	1997 £
Contracted but not provided for in the accounts	-	20,000

9. INVESTMENTS

	Shares in group company £
COST	
At 1 April 1997 and 31 March 1998	75,000
NET BOOK VALUE	
At 31 March 1998	75,000
At 31 March 1997	75,000

The company owns 75% of the issued share capital of Chalmers of Deeside Limited, a company registered in Scotland which is now non trading.

At 31 March 1998 the accounts of the subsidiary showed the following:

	1998 £	1997 £
Aggregate capital and reserves	125,637	137,743
(Loss)/ profit for the year after tax	(12,106)	81,515

Under the provision of section 248 of the Companies Act 1985 the company is exempt from preparing consolidated accounts and has not done so, therefore the accounts show information about the company as an individual entity.

10. STOCKS

	1998 £	1997 £
Stock	56,037	61,819

11. DEBTORS

	1998 £	1997 £
Trade debtors	103,061	101,737
Amounts owed by group undertakings	-	28,923
VAT recoverable	-	17,799
Other debtors	5,657	239
Prepayments and accrued income	45,795	35,293
	154,513	183,991

12. CREDITORS: Amounts falling due within one year

	1998		1997	
	£	£	£	£
Trade creditors		157,554		143,099
Amounts owed to group undertakings		126,524		-
Other creditors including taxation and social security:				
Taxation and social security	124,782		43,768	
HP and finance leases	10,250		5,250	
Other creditors	118,525		105,640	
Small Business Enterprise Loans	8,059		-	
Directors current accounts	105,357		103,211	
		366,973		257,869
Accruals and deferred income		116,155		98,765
		767,206		499,733

13. CREDITORS: Amounts falling due after more than one year

	1998	1997
	£	£
Other creditors:		
HP and finance leases	20,083	15,749
Small Business Enterprise Loans	12,094	-
	32,177	15,749

14. CREDITORS - CAPITAL INSTRUMENTS

Creditors include finance capital which is due for repayment as follows:

	1998	1997
	£	£
In one year or less, or on demand	8,059	-
Between one and two years	7,591	-
Between two and five years	4,503	-
	20,153	-

The above liabilities comprise Small Business Enterprise Scheme loans.

15. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	1998 £	1997 £
Provision for year	5,848	-
Provision carried forward	5,848	-

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	1998 £	1997 £
Excess of taxation allowances over depreciation on fixed assets	5,848	-

16. COMMITMENTS UNDER HIRE PURCHASE AND FINANCE LEASE AGREEMENTS

Future commitments under hire purchase and finance lease agreements are as follows:

	1998 £	1997 £
Amounts payable within 1 year	12,065	6,240
Amounts payable between 2 to 5 years	23,645	18,720
	35,710	24,960
Less interest and finance charges relating to future periods	(5,377)	(3,961)
	30,333	20,999

17. COMMITMENTS UNDER OPERATING LEASES

At 31 March 1998 the company had annual commitments under non-cancellable operating leases as set out below.

	1998 Land & Buildings £	1998 Other Items £	1997 Land & Buildings £	1997 Other Items £
Operating leases which expire:				
Within 1 year	23,098	-	9,200	1,583
Within 2 to 5 years	12,500	1,266	74,195	-
After more than 5 years	145,100	-	118,100	-
	180,698	1,266	201,495	1,583

18. CONTINGENCIES

The company has guaranteed all sums due by Chalmers of Deeside Limited in respect of their lease of 56 High Street, Banchory.

19. RELATED PARTY TRANSACTIONS

The company was under the control of Mr and Mrs R M Chalmers and members of their close family throughout the current and previous year. Mr Chalmers and his wife are personally interested in 62.5% (1997 - 70%) of the company's share capital. In addition, his adult children control in aggregate a further 25% (1997 - 20%) of the company's issued share capital.

On 1 April 1997 the company purchased all the fixed assets of its subsidiary for £275,000 and acquired most of the other assets and liabilities at net book value.

£126,524 was due to Chalmers of Deeside Limited at the year end.

20. SHARE CAPITAL

Authorised share capital:

	1998 £	1997 £
200,000 Ordinary shares of £1 each	200,000	200,000

Allotted, called up and fully paid:

	1998 £	1997 £
Ordinary share capital	200,000	200,000

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit for the financial year	173,919	30,557
Opening shareholders' equity funds	573,205	542,648
Closing shareholders' equity funds	747,124	573,205

22. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1998 £	1997 £
Operating profit	205,080	41,098
Depreciation	208,443	140,939
Profit on disposal of fixed assets	(400)	(493)
Decrease/(Increase) in stocks	5,782	(6,505)
Decrease/(Increase) in debtors	38,692	(71,015)
(Decrease)/Increase in creditors	(27,644)	104,116
Net cash inflow from operating activities	429,953	208,140

23. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	1998 £	£	1997 £	£
Increase/Decrease in cash in the period	144,634		(28,302)	
Net inflow in respect of finance leases	(9,334)		(20,999)	
Net inflow from other long-term creditors	(12,094)		-	
Change in net funds		123,206		(49,301)
Net funds at 1 April 1997		116,596		165,900
Net funds at 31 March 1998		239,802		116,596

24. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Apr 1997	Cash flows	At 31 Mar 1998
	£	£	£
Net cash:			
Cash in hand and at bank	137,595	144,634	282,229
Debt:			
Debt due within 1 year	(5,250)	(5,000)	(10,250)
Debt due after 1 year	(15,749)	(16,428)	(32,177)
	(20,999)	(21,428)	(42,427)
Net funds	116,596	123,206	239,802