CHALMERS BAKERY LIMITED

ACCOUNTS

31 MARCH 2000

Company Registration Number 92467

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

SCT SEFDFWCL 0885
COMPANIES HOUSE 11/12/00

CHALMERS BAKERY LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2000

The directors have pleasure in presenting their report and the accounts of the company for the year ended 31 March 2000.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

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 2000	At 1 April 1999
Ronald M Chalmers	62,500	62,500
Annabella M Chalmers	62,500	62,500
John A Chalmers	25,000	25,000
Alistair Rait	-	-
Pamela Chalmers	25,000	25,000

EMPLOYMENT POLICIES

The companies policies on employment, training and promotion of disabled people are in accordance with the Companies Act 1985 Schedule 7.9(3).

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.

In preparing those accounts, the directors are required to select suitable accounting policies, as described on pages 7 to 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

DIRECTORS' RESPONSIBILITIES (continued)

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 5/12/00

CHALMERS BAKERY LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 MARCH 2000

We have audited the accounts on pages 4 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 8.

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 state of the company's affairs as at 31 March 2000 and of the loss of the company 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

6/12/2000

CHALMERS BAKERY LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2000

	Note	2000 £	1999 £
TURNOVER	**2**	4,899,945	4,747,277
Cost of sales		(2,479,124)	(2,234,511)
GROSS PROFIT		2,420,821	2,512,766
Distribution costs		(1,123,084)	(1,035,090)
Administrative expenses		(1,371,653)	(1,401,630)
Other operating income	**3**	35,859	30,690
OPERATING (LOSS)/PROFIT	**4**	(38,057)	106,736
Income from shares in group undertakings	**7**	-	26,524
Interest receivable		8,458	14,169
Interest payable	**8**	(12,553)	(4,919)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(42,152)	142,510
Tax on (loss)/profit on ordinary activities	**9**	(10,135)	(46,542)
(LOSS)/RETAINED PROFIT FOR THE FINANCIAL YEAR		(52,287)	95,968
Balance brought forward		643,092	547,124
Balance carried forward		590,805	643,092

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 7 to 16 form part of these accounts.

CHALMERS BAKERY LIMITED

BALANCE SHEET

31 MARCH 2000

	Note	2000		1999	
		£	£	£	£
FIXED ASSETS					
Tangible assets	**10**		1,340,622		1,444,250
CURRENT ASSETS					
Stocks	**11**	75,097		81,849	
Debtors	**12**	199,765		209,365	
Cash at bank and in hand		8,451		143,551	
		283,313		434,765	
CREDITORS: Amounts falling due within one year	**13**	(828,419)		(916,513)	
NET CURRENT LIABILITIES			(545,106)		(481,748)
TOTAL ASSETS LESS CURRENT LIABILITIES			795,516		962,502
CREDITORS: Amounts falling due after more than one year	**14**		-		(114,217)
			795,516		848,285
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	**16**		(4,711)		(5,193)
			790,805		843,092
CAPITAL AND RESERVES					
Called-up equity share capital	**21**		200,000		200,000
Profit and loss account			590,805		643,092
SHAREHOLDERS' FUNDS	**22**		790,805		843,092

These accounts were approved by the directors on the ....5/12/00....., and are signed on their behalf by:

Ronald M Chalmers

RONALD M CHALMERS
Director

The notes on pages 7 to 16 form part of these accounts.

CHALMERS BAKERY LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 2000

	Note	2000		1999	
		£	£	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	**23**		144,725		404,310
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Income from group undertakings		-		26,524	
Interest received		8,458		18,711	
Interest paid		(10,712)		(3,104)	
Interest element of hp and finance leases		(1,841)		(1,815)	
NET CASH (OUTFLOW)/INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(4,095)		40,316
TAXATION			(33,881)		(55,725)
CAPITAL EXPENDITURE					
Payments to acquire tangible fixed assets		(156,120)		(689,152)	
Receipts from sale of fixed assets		28,905		4,533	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE			(127,215)		(684,619)
ACQUISITIONS AND DISPOSALS					
Disposal of shares in group undertakings		-		75,000	
NET CASH INFLOW FROM ACQUISITIONS AND DISPOSALS			-		75,000
CASH OUTFLOW BEFORE FINANCING			(20,466)		(220,718)
FINANCING					
Capital element of hp and finance leases		(10,250)		(10,250)	
Net (outflow)/inflow from other long-term creditors		(104,384)		92,290	
NET CASH (OUTFLOW)/INFLOW FROM FINANCING			(114,634)		82,040
DECREASE IN CASH	**24**		(135,100)		(138,678)

The notes on pages 7 to 16 form part of these accounts.

1. ACCOUNTING POLICIES

Basis of accounting

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

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 fittings	- 15% 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 on a straight line basis.

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 on a straight line basis, 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 on a straight line basis over the period of the lease.

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.

Government grants

Grant income is credited to the profit and loss account as received.

2. TURNOVER

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

An analysis of turnover is given below:

	2000	1999
	£	£
United Kingdom	4,899,945	4,747,277

3. OTHER OPERATING INCOME

	2000	1999
	£	£
Rent receivable	33,219	25,929
Other operating income	2,640	4,761
	35,859	30,690

4. OPERATING LOSS/PROFIT

Operating loss/profit is stated after charging/(crediting):

	2000	1999
	£	£
Depreciation	229,087	229,477
Loss/(Profit) on disposal of fixed assets	1,756	(4,532)
Auditors' remuneration		
- as auditors	5,000	5,000
Operating lease costs:		
Plant and equipment	633	1,478

5. PARTICULARS OF EMPLOYEES

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

	2000	1999
	No.	No.
Number of production staff	40	41
Number of distribution staff	215	206
Number of administrative staff	10	10
	265	257

The aggregate payroll costs of the above were:

	2000	1999
	£	£
Wages and salaries	1,791,810	1,708,163
Social security costs	104,405	115,069
Other pension costs	15,425	15,298
	1,911,640	1,838,530

6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2000	1999
	£	£
Emoluments receivable	89,343	152,379
Value of company pension contributions to money purchase schemes	3,561	3,561
	92,904	155,940

6. DIRECTORS' EMOLUMENTS *(continued)*

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

	2000 No.	1999 No.
Money purchase schemes	3	3

7. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2000 £	1999 £
Dividend received from subsidiary	-	26,524

8. INTEREST PAYABLE

	2000 £	1999 £
Interest payable on bank borrowing	1,514	1,274
Finance charges	1,841	1,815
Other similar charges payable	9,198	1,830
	12,553	4,919

9. TAX ON PROFIT OR LOSS ON ORDINARY ACTIVITIES

	2000 £	1999 £
In respect of the year:		
Corporation tax based on the results for the year at 20% (1999 - 21%)	7,160	33,881
Decrease in deferred tax provision	(482)	(655)
	6,678	33,226
Adjustment in respect of previous years:		
Corporation tax	3,457	13,316
	10,135	46,542

10. TANGIBLE FIXED ASSETS

	Property	Bakery plant	Shop & office fittings	Motor vehicles	Lease premium & tenants improve.	Total
	£	£	£	£	£	£
COST						
At 1 Apr 1999	941,649	695,740	598,557	293,798	285,520	2,815,264
Additions	10,186	26,116	35,809	26,665	57,344	156,120
Disposals	-	(15,005)	-	(22,745)	-	(37,750)
At 31 Mar 2000	951,835	706,851	634,366	297,718	342,864	2,933,634
DEPRECIATION						
At 1 Apr 1999	130,696	479,417	409,723	216,916	134,262	1,371,014
Charge for the year	47,592	59,358	61,153	42,924	18,060	229,087
On disposals	-	(2,090)	-	(4,999)	-	(7,089)
At 31 Mar 2000	178,288	536,685	470,876	254,841	152,322	1,593,012
NET BOOK VALUE						
At 31 Mar 2000	773,547	170,166	163,490	42,877	190,542	1,340,622
At 31 Mar 1999	810,953	216,323	188,834	76,882	151,258	1,444,250

Hire purchase and finance lease agreements
Included within the net book value of £1,340,622 is £6,000 (1999 - £12,000) relating to assets held under hire purchase agreements, and £9,600 (1999 - £13,200) 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 (1999 - £6,000), and £3,600 (1999 - £3,600) in respect of assets held under finance lease agreements.

11. STOCKS

	2000	1999
	£	£
	75,097	81,849

12. DEBTORS

	2000	1999
	£	£
Trade debtors	133,153	129,450
Other debtors	5,631	41,335
Prepayments and accrued income	60,981	38,580
	199,765	209,365

13. CREDITORS: Amounts falling due within one year

	2000		1999	
	£	£	£	£
Trade creditors		232,361		221,391
Other creditors including taxation and social security:				
Corporation tax	10,660		33,924	
Other taxation and social security	72,685		52,416	
HP and finance leases	9,833		10,250	
Small Business Enterprise Loans	4,693		7,900	
Directors current accounts	264,337		197,857	
Other creditors	97,281		125,232	
		459,489		427,579
Accruals and deferred income		136,569		267,543
		828,419		916,513

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2000	1999
	£	£
Accruals and deferred income	100,000	100,000

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

	2000	1999
	£	£
Other creditors:		
HP and finance leases	-	9,833
Other creditors	-	100,000
Small Business Enterprise Loans	-	4,384
	-	114,217

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	2000	1999
	£	£
Other Creditors	-	100,000

15. CREDITORS - CAPITAL INSTRUMENTS

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

	2000	1999
	£	£
In one year or less, or on demand	4,693	7,900
Between one and two years	-	4,384
	4,693	12,284

The above liabilities comprise Small Business Enterprise Scheme loans.

16. DEFERRED TAXATION

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

	2000	1999
	£	£
Provision brought forward	5,193	5,848
Decrease in provision	(482)	(655)
Provision carried forward	4,711	5,193

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

	2000	1999
	£	£
Excess of taxation allowances over depreciation on fixed assets	4,711	5,193

17. COMMITMENTS UNDER HIRE PURCHASE AND FINANCE LEASE AGREEMENTS

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

	2000	1999
	£	£
Amounts payable within 1 year	11,580	12,065
Amounts payable between 2 to 5 years	-	11,580
	11,580	23,645
Less interest and finance charges relating to future periods	(1,747)	(3,562)
	9,833	20,083

18. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2000 the company had annual commitments under non-cancellable operating leases as set out below.

	2000		1999	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire:				
Within 1 year	6,280	-	21,700	-
Within 2 to 5 years	87,600	1,718	62,140	1,266
After more than 5 years	111,800	-	98,683	-
	205,680	1,718	182,523	1,266

19. CONTINGENCIES

The company has guaranteed amounts due to Aberdeenshire Council concerning a factory unit taken on lease in Peterhead.

20. 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% (1999 - 62.5%) of the company's share capital. In addition, his adult children control in aggregate a further 25% (1999 - 25%) of the company's issued share capital.

One of the properties used by the company is personally owned by Mr R and Mrs A Chalmers, directors of the company. No rent is charged for this use.

21. SHARE CAPITAL

Authorised share capital:

	2000 £	1999 £
200,000 Ordinary shares of £1 each	200,000	200,000

Allotted, called up and fully paid:

	2000 £	1999 £
Ordinary share capital	200,000	200,000

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000	1999
	£	£
(Loss)/Profit for the financial year	(52,287)	95,968
Opening shareholders' equity funds	843,092	747,124
Closing shareholders' equity funds	790,805	843,092

23. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000	1999
	£	£
Operating (loss)/profit	(38,057)	106,736
Depreciation	229,087	229,477
Loss/(Profit) on disposal of fixed assets	1,756	(4,532)
Decrease/(Increase) in stocks	6,752	(25,812)
Decrease/(Increase) in debtors	9,600	(59,394)
(Decrease)/Increase in creditors	(64,413)	157,835
Net cash inflow from operating activities	144,725	404,310

24. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2000		1999	
	£	£	£	£
Decrease in cash in the period	(135,100)		(138,678)	
Net cash outflow in respect of hp and finance leases	10,250		10,250	
Net cash outflow/(inflow) from other long-term creditors	104,384		(92,290)	
		(20,466)		(220,718)
Change in net debt		(20,466)		(220,718)
Net funds at 1 Apr 1999		19,084		239,802
Net debt at 31 Mar 2000		(1,382)		19,084

25. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Apr 1999 £	Cash flows £	At 31 Mar 2000 £
Net cash:			
Cash in hand and at bank	143,551	(135,100)	8,451
Debt:			
Debt due after 1 year	(104,384)	104,384	-
HP and finance leases	(20,083)	10,250	(9,833)
	(124,467)	114,634	(9,833)
Net debt	19,084	(20,466)	(1,382)