

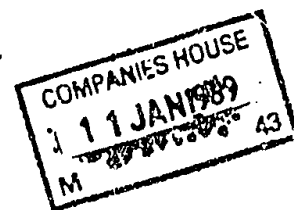
24168

JOHN MORRELL & COMPANY LIMITED

A C C O U N T S

YEAR ENDED 31 DECEMBER 1987

Jayson, Arnold & Powell



JOHN MORRELL & COMPANY LIMITED

REPORT OF THE DIRECTORS
for the year ended 31 December 1987

The directors present their report and audited accounts of the company for the year ended 31 December 1987.

Principal activities and business review

The principal activities of the company continued to be the manufacture, importation, storage and distribution of foodstuffs.

Results and dividends

Details of the results for the year are shown in the profit and loss account and the notes relating to it.

The directors do not recommend the payment of a dividend for the year.

Directors

The directors who have served during the year and details of their shareholdings and family interests as defined by the Companies Act 1985 in the ultimate holding company are as follows:-

	Hillsdown Holdings plc	
	10p Ordinary Shares	
	1/1/87	31/12/87
P Reah	-	-
B T Hunt	5,947	5,947
E T S Simpson	14,947	17,936

None of the directors had any beneficial interest in the company's shares as at the balance sheet date.

Tangible fixed assets

Movements in tangible fixed assets are shown in note 9 to the accounts.

JOHN MORRELL & COMPANY LIMITED

REPORT OF THE DIRECTORS (continued)
for the year ended 31 December 1987

Disabled persons

The company gives full and fair consideration to employment applications from disabled persons, having regard to their particular aptitudes and abilities. If a person becomes disabled whilst in employment, the company takes all reasonable steps to ensure that his or her employment continues. So far as possible, the training, career development and promotion of a disabled person will be the same as that of a person who has no disability.

Close company

The company is not a close company within the meaning of the Income and Corporation Taxes Act 1970.

Auditors

The present auditors, Messrs Jayson Arnold & Fowell have signified their willingness to continue in office and a resolution is to be proposed at the forthcoming Annual General Meeting that they be re-appointed as auditors for the ensuing year.

By order of the board

B T Hunt

Secretary
28 March 1988

Jayson, Arnold & Fowell

JOHN MORRELL & COMPANY LIMITED

AUDITORS' REPORT

To the members of John Morrell & Company Limited

We have audited the financial statements on pages 4 to 13 in accordance with approved Auditing Standards.

In our opinion, the financial statements give a true and fair view of the state of financial affairs of the company at 31 December 1987 and of the result and source and application of funds for the year then ended and comply with the Companies Act 1985.

JAYSON ARNOLD & FOWELL
CHARTERED ACCOUNTANTS

28 March 1988

JOHN MORRELL & COMPANY LIMITED

BALANCE SHEET

as at 31 December 1987

	Note	£	£	1986 £
Fixed assets				
Tangible assets	9	2,296,990		1,039,445
Investments	10	31,002		31,002
		<u>2,327,992</u>		<u>1,070,447</u>
Current assets				
Stocks	12	1,865,051	1,830,432	
Debtors	13	188,117	896,831	
Cash at bank and in hand		-	3,262	
		<u>2,053,168</u>	<u>2,730,525</u>	
Creditors due within one year	14	2,597,504	2,496,206	
		<u></u>	<u></u>	
Net current (liabilities)/assets		(544,336)		234,319
		<u></u>		<u></u>
Total assets less current liabilities		1,783,656		1,304,766
		<u></u>		<u></u>
Creditors due after more than one year	15	(65,786)		(114,140)
		<u></u>		<u></u>
Net assets		1,717,870		1,190,626
		<u></u>		<u></u>
Representing:				
Capital and reserves				
Called up share capital	17	1,767,800		1,767,800
Revaluation reserve		92,925		-
Profit and loss account	18	(142,855)		(577,174)
		<u></u>		<u></u>
Shareholders' funds		1,717,870		1,190,626
		<u></u>		<u></u>

Signed on behalf of the board of directors
who approved the accounts on 28 March 1988

E T S Simpson)
B T Hunt) Directors

JOHN MORRELL & COMPANY LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1987

Byron, Arnold & Powell

	Note	£	1986 f
Turnover	2	9,898,888	14,931,858
Cost of sales		(8,812,306)	(13,315,720)
Gross profit		1,086,582	1,616,138
Distribution costs		(309,012)	(655,441)
Administrative expenses		(392,371)	(706,122)
Operating profit		385,199	254,575
Interest payable	5	13,759	(135,888)
Profit on ordinary activities before tax	6	371,440	118,687
Taxation	7	-	-
Profit on ordinary activities after tax		371,440	118,687
Extraordinary items	8	62,879	(908,275)
Profit/(loss) for the year	18	434,319	(789,588)

JOHN MORRELL & COMPANY LIMITED

SOURCE AND APPLICATION OF FUNDS STATEMENT
for the year ended 31 December 1987

	Notes	£	£	£	1986 £
Source of funds					
Generated from operations	1		544,309		281,711
Decrease in working capital	2		726,390		3,415,505
Proceeds of sale of fixed assets			16,660		72,853
Proceeds of sale of quoted investments			3,969,594		-
			<hr/>		<hr/>
Total source of funds			5,256,953		3,770,039
Application of funds					
Purchase of fixed assets		1,355,364		251,570	
Purchase quoted investments		3,905,500		-	
Repayments of loans		-		470,000	
Debenture loans		-		170,000	
Extraordinary item		-		753,200	
			<hr/>	<hr/>	
Total applications			5,260,864		1,644,770
			<hr/>		<hr/>
			(3,911)		2,125,299
			<hr/>		<hr/>
Representing:					
Movement in liquid funds					
(Decrease) in cash at bank and in hand			(3,262)		(9,136)
(Increase)/decrease in bank overdraft			(649)		2,134,435
			<hr/>		<hr/>
			(3,911)		2,125,299
			<hr/>		<hr/>

Jayson, Arnold & Fowell

JOHN MORRELL & COMPANY LIMITED

SOURCE AND APPLICATION OF FUNDS STATEMENT (continued)
for the year ended 31 December 1987

NOTES

	£	1986 £
1 Total generated from operations		
Profit for the year	371,440	118,687
Depreciation	172,869	162,819
Losses on investments	-	205
	<hr/>	<hr/>
	544,309	281,711
	<hr/>	<hr/>
2 Decrease in working capital		
(Increase)/decrease in stocks	(34,619)	1,490,386
Decrease in debtors	469,995	2,263,208
Decrease/(increase) in group debtors	238,719	(238,719)
(Decrease) in creditors	(882,094)	(41,492)
Increase/(decrease) in group creditors	982,743	(9,057)
(Decrease) in obligations under finance leases	(48,354)	(48,821)
	<hr/>	<hr/>
	726,390	3,415,505
	<hr/>	<hr/>

Jayson, Arnold & Fowell

JOHN MORRELL & COMPANY LIMITED

NOTES TO THE ACCOUNTS
for the year ended 31 December 1987

1 Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention modified by the revaluation of freehold property.

Consolidated accounts

Consolidated accounts have not been prepared as the company is itself a wholly owned subsidiary.

Turnover

Turnover is the value of sales, excluding value added tax, of goods supplied and services rendered.

Stocks

Stocks have been valued at the lower of cost and net realisable value, due allowance being made for obsolete and slow moving stocks. Cost is actual invoice price together with freight and duty where appropriate. Canned and processed foods are valued at manufacturing cost which includes an appropriate proportion of manufacturing overheads.

Depreciation

Freehold land is not depreciated. Freehold buildings are depreciated over their estimated useful lives at a rate sufficient to reduce them to their estimated residual value. When properties are revalued, the depreciation thereafter provided is based on revalued depreciation amounts.

Rates of depreciation in use by the company write off:

Freehold buildings	5% per annum on net book amounts
Leasehold property	amortised over the remainder of the lease
Plant, machinery, fixtures and fittings	12.5% per annum
Motor cars	25% per annum
Motor lorries	20% per annum

Leasing

Fixed assets held under finance leases have been capitalised.

Deferred tax

Provision is not made for deferred tax where liability is not expected to arise in the foreseeable future.

JOHN MORRELL & COMPANY LIMITED

NOTES TO THE ACCOUNTS
for the year ended 31 December 1987

2 Turnover

The company trades in processed foods within one geographical market, the United Kingdom.

3 Staff costs and numbers

	1987	1986
	£	£
Wages and salaries	1,271,476	1,172,066
Social security costs	108,801	85,418
Other pension costs	42,982	103,305
	<hr/>	<hr/>
	1,423,259	1,360,789
	<hr/>	<hr/>

The average weekly number of persons employed by the company during the year was:

	Number	Number
Production and distribution	141	160
Marketing sales and general administration	10	25
	<hr/>	<hr/>
	151	185
	<hr/>	<hr/>

4 Directors emoluments

	£	£
Non executive directors' fees	-	12,594
Management remuneration and pension contributions	-	21,462
	<hr/>	<hr/>
	-	34,056
	<hr/>	<hr/>

Directors' emoluments (excluding pension contributions) were paid as follows:-

Chairman	-	-
Former chairman	-	1,402
Highest paid director	-	19,791
	<hr/>	<hr/>

Other directors with emoluments in the following ranges:

	Number	Number
£Nil - £5,000	3	11
£5,001 - £10,000	-	1
£20,001 - £25,000	-	-
	<hr/>	<hr/>

JOHN MORRELL & COMPANY, LIMITED

NOTES TO THE ACCOUNTS
for the year ended 31 December 1987

5 Interest payable

Interest payable is in respect of holding company recharges and interest on bank loans, term loans and finance leases.

6 Profit on ordinary activities before tax

The profit before tax is arrived at after charging:

	1987	1986
	£	£
Directors' emoluments (note 4)	-	34,056
Depreciation and amortisation of tangible fixed assets	172,869	162,819
Auditors' remuneration	3,511	7,000
	<hr/>	<hr/>

7 Taxation

No tax is payable in respect of the result for the year (1986: Nil) in view of losses available.

8 Extraordinary items

	1987	1986
	£	£
Profit on disposal of quoted investments	64,094	-
Loss on sale of fixed assets	(1,215)	(8,275)
Redundancy and restructuring costs	-	(753,200)
Depreciation	-	(146,800)
	<hr/>	<hr/>
	62,879	(908,275)
	<hr/>	<hr/>

JOHN MORRELL & COMPANY LIMITED

NOTES TO THE ACCOUNTS
for the year ended 31 December 1987

9 Tangible fixed assets

	Freehold land & buildings £	Plant, machinery & vehicles £	Total £
Cost or valuation			
At 1 January 1987	568,985	1,757,512	2,326,497
Additions	724,495	630,869	1,355,364
Disposals:			
Owned	-	(36,766)	(36,766)
Leased	-	(12,525)	(12,525)
Revaluation	(93,480)	-	(93,480)
At 31 December 1987	1,200,000	2,339,090	3,539,090
At valuation 1987	1,200,000	-	1,200,000
At cost	-	2,339,090	2,339,090
	1,200,000	2,339,090	3,539,090
Depreciation			
At 1 January 1987	157,263	1,129,789	1,287,052
Charge for year:			
Owned	29,142	97,626	126,768
Leased	-	46,101	46,101
Disposals:			
Owned	-	(24,936)	(24,936)
Leased	-	(6,480)	(6,480)
Revaluation	(186,405)	-	(186,405)
At 31 December 1987	-	1,242,100	1,242,100
Net book value			
At 31 December 1987	1,200,000	1,096,990	2,296,990
At 31 December 1986	411,722	627,723	1,039,445

The freehold properties included at valuation were professionally valued by Fellows of the Royal Institute of Chartered Surveyors at open market value on a current use basis. The surplus arising of £92,925 has been credited to the revaluation reserve.

There is no present intention to sell the company's freehold property. In view of group policy to claim roll over relief on capital gains arising, the directors do not consider any tax liability is likely to arise if the property were sold for the value stated in the accounts.

JOHN MORRELL & COMPANY LIMITED

NOTES TO THE ACCOUNTS
for the year ended 31 December 1987

10	Fixed asset investments	1987 £	1986 £
	Investments in subsidiaries (note 11) shares at cost	31,002	31,002
11	Subsidiary companies		
	The company's wholly owned subsidiaries are the Victoria Cold Storage Company Limited and Spring Food Products Limited, both of which are incorporated in England and are dormant.		
12	Stocks	1987 £	1986 £
	Raw materials	225,250	448,145
	Finished goods and work in progress	1,639,801	1,382,287
		1,865,051	1,830,432
13	Debtors		
	Trade debtors	178,865	638,915
	Due from intermediate holding company	-	238,719
	Other debtors and prepayments	9,252	19,197
		188,117	896,831
14	Creditors: amounts falling due within one year		
	Bank overdraft	649	-
	Trade creditors	994,649	1,265,761
	Amount owed to fellow subsidiaries	31,000	31,000
	Amount owed to holding company	26,217	26,217
	Amount owed to intermediate holding company	982,743	-
	Taxation and social security costs	20,346	29,737
	Other creditors and accruals	541,900	1,143,491
		2,597,504	2,496,206

JOHN MORRELL & COMPANY LIMITED

NOTES TO THE ACCOUNTS
for the year ended 31 December 1987

15 Creditors: amounts falling due after more than one year

	1987	1986
	£	£
Obligations under finance leases	65,786	114,140

16 Deferred taxation

Deferred taxation is not provided as no liability is expected to arise in the foreseeable future. The potential liability for deferred taxation on accelerated capital allowances will be offset by losses available for carry forward.

17 Share capital
Authorised, allotted and fully paid

	1987	1986
	£	£
750,000 ordinary shares of £1 each	750,000	750,000
400,000 "A" (11% convertible cumulative redeemable participating	400,000	400,000
400,000 "B" preference shares of £1 each)	400,000	400,000
217,800 deferred shares of £1 each	217,800	217,800
	<u>1,767,800</u>	<u>1,767,800</u>

18 Profit and loss account

Balance brought forward	(577,174)	212,414
Movements in year		
Profit/(loss) for year	434,319	(789,588)
	<u> </u>	<u> </u>
Balance carried forward	(142,855)	(577,174)

19 Ultimate holding company

The company's ultimate holding company is Hillstown Holdings plc, a company incorporated in England.