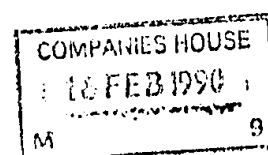


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JOHN MORRELL & COMPANY LIMITED

A C C O U N T S

YEAR ENDED 31 DECEMBER 1988



JOHN MORRELL & COMPANY LIMITED

REPORT OF THE DIRECTORS
for the year ended 31 December 1988

The directors present their report and audited accounts of the company for the year ended 31 December 1988.

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	
	1/1/88	31/12/88
B T Hunt	5,947	5,947
E T S Simpson	14,947	17,936
P Reah (resigned 27/10/88)	-	N/A

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 1988

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 1988.

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.

On behalf of the board

B T Hunt

Secretary
29 March 1989

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 Auditing Standards.

In our opinion, the financial statements give a true and fair view of the state of affairs of the company at 31 December 1988 and of the result and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

JAYSON ARNOLD & FOWELL
CHARTERED ACCOUNTANTS

29 March 1989

JOHN MORRELL & COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1988

	Note	£	1987 £
Turnover	2	8,537,727	9,898,888
Cost of sales		(7,611,080)	(8,812,306)
Gross profit		926,647	1,086,582
Distribution costs		(277,948)	(309,012)
Administrative expenses		(398,991)	(392,371)
Operating profit		249,708	385,199
Interest receivable	5	13,951	-
Interest payable	5	(13,507)	(13,759)
Profit on ordinary activities before tax	6	250,152	371,440
Taxation	7	-	-
Profit on ordinary activities after tax		250,152	371,440
Extraordinary items	8	-	62,879
Profit for the year	18	250,152	434,319

JOHN MORRELL & COMPANY LIMITED

BALANCE SHEET
as at 31 December 1988

	Note	£	£	1987 £
Fixed assets				
Tangible assets	9	2,128,952		2,296,990
Investments	10	31,002		31,002
		<hr/>		<hr/>
		2,159,954		2,327,992
Current assets				
Stocks	12	1,430,165	1,865,051	
Debtors	13	496,746	188,117	
		<hr/>	<hr/>	
		1,926,911	2,053,168	
Creditors: amounts falling due within one year	14	2,094,768	2,597,504	
		<hr/>	<hr/>	
Net current (liabilities)		(167,857)	(544,336)	
		<hr/>	<hr/>	
Total assets less current liabilities		1,992,097	1,783,656	
Creditors: amounts falling due after more than one year	15	(24,075)	(65,786)	
		<hr/>	<hr/>	
Net assets		1,968,022	1,717,870	
		<hr/>	<hr/>	
Representing:				
Capital and reserves				
Called up share capital	17	1,767,800	1,767,800	
Revaluation reserve		92,925	92,925	
Profit and loss account	18	107,297	(142,855)	
		<hr/>	<hr/>	
Shareholders' funds		1,968,022	1,717,870	
		<hr/>	<hr/>	

Signed on behalf of the board of directors
who approved the accounts on 29 March 1989

E T S Simpson)

B T Hunt)

Directors

JOHN MORRELL & COMPANY LIMITED

SOURCE AND APPLICATION OF FUNDS STATEMENT
for the year ended 31 December 1988

	Note	£	£	£	1987 £
Source of funds					
Generated from operations 1		496,171			544,309
Decrease in working capital 2		-			726,390
Proceeds of sale of fixed assets		2,500			16,660
Proceeds of sale of quoted investments		-			3,969,594
Total source of funds		498,671			5,256,953
Application of funds					
Increase in working capital 2	419,450		-		
Purchase of fixed assets	80,481		1,355,364		
Purchase quoted investments	-		3,905,500		
Total applications		499,931			5,260,864
		(1,260)			(3,911)
Representing:					
Movement in liquid funds					
(Decrease) in cash at bank and in hand		-			(3,262)
(Increase) in bank overdraft		(1,260)			(649)
		(1,260)			(3,911)

JOHN MORRELL & COMPANY LIMITED

SOURCE AND APPLICATION OF FUNDS STATEMENT (continued)
for the year ended 31. December 1988

NOTES

	£	1987 £
1 Total generated from operations		
Profit for the year	250,152	371,440
Depreciation	246,213	172,869
Profit on disposal of fixed assets	(194)	-
	<hr/>	<hr/>
	496,171	544,309
	<hr/>	<hr/>
2 Decrease/(increase) in working capital		
Decrease/(increase) in stocks	434,886	(34,619)
(Increase)/decrease in debtors	(308,629)	469,995
Decrease in group debtors	-	238,719
Increase/(decrease) in creditors	88,100	(882,094)
(Decrease)/increase in group creditors	(588,778)	982,743
(Decrease) in obligations under finance leases	(45,029)	(48,354)
	<hr/>	<hr/>
	(419,450)	726,390
	<hr/>	<hr/>

JOHN MORRELL & COMPANY LIMITED

NOTES TO THE ACCOUNTS
for the year ended 31 December 1988

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 1988

2 Turnover

An analysis of turnover by geographical market is as below:

	1988 £000's	1987 £000's
United Kingdom	8,438,727	9,898,888
Europe	99,000	-
	<hr/>	<hr/>
	8,537,727	9,898,888
	<hr/>	<hr/>

3 Staff costs and numbers

	1988 £	1987 £
Wages and salaries	1,156,672	1,271,476
Social security costs	97,145	108,801
Other pension costs	20,264	42,982
	<hr/>	<hr/>
	1,274,081	1,423,259
	<hr/>	<hr/>

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

	Number	Number
Production and distribution	94	141
Marketing sales and general administration	26	10
	<hr/>	<hr/>
	120	151
	<hr/>	<hr/>

4 Directors emoluments

The directors did not receive remuneration during the year.

JOHN MORRELL & COMPANY LIMITED

NOTES TO THE ACCOUNTS
for the year ended 31 December 1988

5 Interest receivable

Interest receivable is in respect of bank deposits and other group companies indebtedness.

Interest payable

Interest payable is wholly in respect of finance leases.

6 Profit on ordinary activities before tax

The profit before tax is arrived at after charging:

	1988	1987
	£	£
Directors' emoluments (note 4)	Nil	Nil
Depreciation and amortisation of tangible fixed assets	246,213	172,869
Auditors' remuneration	3,685	3,511
Plant hire	73,345	96,074
	<hr/>	<hr/>

7 Taxation

No tax is payable in respect of the result for the year (1987: Nil) in view of losses available.

8 Extraordinary items

	1988	1987
	£	£
(Loss) on sale of fixed assets	-	(1,215)
Profit on disposal of quoted investments	-	64,094
	<hr/>	<hr/>
	-	62,879
	<hr/>	<hr/>

JOHN MORRELL & COMPANY LIMITED

NOTES TO THE ACCOUNTS
for the year ended 31 December 1988

9 Tangible fixed assets

	Freehold land & buildings £	Plant, machinery & vehicles £	Total £
Cost or valuation			
At 1 January 1988	1,200,000	2,339,090	3,539,090
Additions	7,402	73,079	80,481
Disposals			
Owned	-	(6,200)	(6,200)
At 31 December 1988	1,207,402	2,405,969	3,613,371
At valuation 1987	1,200,000	-	1,200,000
At cost	7,402	2,405,969	2,413,371
	1,207,402	2,405,969	3,613,371
Depreciation			
At 1 January 1988	-	1,242,100	1,242,100
Charge for year			
Owned	20,769	180,415	201,184
Leased	-	45,029	45,029
Disposals			
Owned	-	(3,894)	(3,894)
At 31 December 1988	20,769	1,463,650	1,484,419
Net book value			
At 31 December 1988	1,186,633	942,319	2,128,952
At 31 December 1987	1,200,000	1,096,990	2,296,990

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 1988

10	Fixed asset investments	1988	1987
	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

	1988	1987
	£	£
Raw materials	281,456	225,250
Finished goods and work in progress	1,148,709	1,639,801
	<u>1,430,165</u>	<u>1,865,051</u>

13 Debtors

Trade debtors	414,638	179,865
Other debtors and prepayments	82,108	9,252
	<u>496,746</u>	<u>188,117</u>

14 Creditors: amounts falling due within one year

Bank overdraft		
Trade creditors	1,909	649
Amount owed to fellow subsidiaries	1,058,267	994,649
Amount owed to holding company	31,000	31,000
Amount owed to intermediate holding company	26,217	26,217
Taxation and social security costs	393,965	982,743
Other creditors and accruals	25,895	20,346
	<u>557,515</u>	<u>541,900</u>
	<u>2,094,768</u>	<u>2,597,504</u>

JOHN MORRELL & COMPANY LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 December 1988

15	Creditors: amounts falling due after more than one year	1988	1987
		£	£
	Obligations under finance leases	24,075	65,786

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	1988	1987
		£	£
	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
		<hr/>	<hr/>
		1,767,800	1,767,800
		<hr/>	<hr/>

18	Profit and loss account		
	Balance brought forward	(142,855)	(577,174)
	Movements in year		
	Profit for year	250,152	434,319
		<hr/>	<hr/>
	Balance carried forward	107,297	(142,855)
		<hr/>	<hr/>

19 Ultimate holding company

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