

Directors' Report and Accounts

24168/145

JOHN MORRELL & COMPANY LIMITED

1 JANUARY 1977

Certified a true copy of the accounts of
John Morrell & Company Limited for the
year ended 1st January, 1977.

B. Stead
.....
Chairman

R. H. ...
.....
Secretary

⑨

Price
Waterhouse & Co.



JOHN MORRELL & COMPANY LIMITED

1 JANUARY 1977

JOHN MORRELL & COMPANY LIMITED

REPORT OF THE DIRECTORS FOR THE FIFTY-THREE
WEEKS ENDED 1 JANUARY 1977

The directors have pleasure in submitting their report to the members together with the audited statement of accounts for the fifty-three weeks ended 1 January 1977.

The consolidated profit for the period was	167,261
Which has been added to the balance brought forward of	<u>860,314</u>
Leaving a balance to be carried forward of	<u><u>£1,027,575</u></u>

ACTIVITIES

The business of the group consists of the manufacture, importation, storage and distribution of foodstuffs.

FIXED ASSETS

Particulars of changes in the fixed assets of the group and of the company are set out in Notes 4 and 5 to the attached accounts.

DIRECTORS AND DIRECTORS' INTERESTS

The following persons were directors of the company during the period:

B Stead (Chairman)
NS Morton (retired 4 July 1976)
G McBroom
AJ Lambert
E Paul (USA) (resigned 12 May 1976)
RV Cornish
JA Lemon
RL Hollowood

The directors have no interest in the shares of the group registered in their names other than as nominees.

EMPLOYEES

The average number of employees of the company and of its subsidiaries was 669 (1975 - 658) and the aggregate remuneration payable to them in respect of the fifty-three weeks was £1,513,120 (1975 - £1,275,895).

EXPORTS

Sales during the period included exports amounting to £87,820 (1975 - £60,140).

JOHN MORRELL & COMPANY LIMITED

REPORT OF THE DIRECTORS FOR THE FIFTY-THREE
WEEKS ENDED 1 JANUARY 1977 (CONTINUED)

CHARITABLE AND POLITICAL DONATIONS

Charitable contributions for the period amounted to £210 (1975 - £200). There were no political donations during the period (1975 - None).

AUDITORS

The auditor, Price Waterhouse & Co will continue in office in accordance with Section 159(2) of the Companies Act 1948.

On behalf of the Board

A handwritten signature in dark ink, appearing to read 'R. L. Hollowood', with a large, stylized loop at the end.

RL Hollowood
Secretary

28 January 1977

AUDITORS' REPORT TO THE MEMBERS OF
JOHN MORRELL & COMPANY LIMITED

In our opinion the annexed accounts, which have been prepared under the historical cost convention give, under that convention, a true and fair view of the state of affairs of the company and the group at 1 January 1977 and of the profit and the source and application of funds of the group for the fifty-three weeks then ended and comply with the Companies Acts 1948 and 1967.

Price Waterhouse & Co.

Chartered Accountants

28 January 1977

JOHN MORRELL & COMPANY LIMITED
AND ITS SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR
THE FIFTY-THREE WEEKS ENDED 1 JANUARY 1977

Fifty-two weeks ended
27 December 1975

£12,888,519

315,418

SALES (Note 1f)

£14,305,599

PROFIT ON TRADING AFTER TAKING INTO
ACCOUNT THE ITEMS SHOWN BELOW:

304,803

After charging/(crediting) the following:

83,016	Directors' emoluments	
7,305	Remuneration as executives	81,167
113,245	Auditors' remuneration	8,297
51,712	Depreciation	117,132
391,715	Hire of machinery	61,805
7,081	Short term loan and bank interest	387,574
	Amount written off deferred asset	7,241
54,908	Loss arising on revaluation	
(3,607)	of dollar accounts	84,637
	Profit on sale of fixed assets	(7,901)

315,418

PROFIT BEFORE TAXATION

304,803

LESS: TAXATION (Note 3)

-	Corporation tax	132
145,000	Transfer to/(from) deferred taxation	
(7,525)	Current year	139,410
	Prior years	(2,000)

137,475

137,542

177,943

PROFIT AFTER TAXATION OF WHICH
£93,046 (1975 - £105,441) HAS BEEN
DEALT WITH IN THE ACCOUNTS OF THE
HOLDING COMPANY

167,261

ADD: BALANCE BROUGHT FORWARD

601,960	John Morrell & Company Limited	707,401
80,411	Subsidiaries	152,913

682,371

860,314

BALANCE CARRIED FORWARD

707,401	John Morrell & Company Limited	800,447
152,913	Subsidiaries	227,128

£860,314

£1,027,575

JOHN MORRELL & COMPANY LIMITED
AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 1 JANUARY 1977

27 December 1975

SHARE CAPITAL

£500,000

Authorised
500,000 shares of £1 each

£500,000

217,800

Issued and fully paid
217,800 shares of £1 each

217,800

REVENUE RESERVES

48,931
860,314

General reserve
Profit and loss account

48,931
1,027,575

909,245

1,076,506

1,127,045

1,294,306

395,000

532,410

DEFERRED TAXATION

LOAN FROM HOLDING COMPANY
John Morrell & Company
(\$310,076 - 1975 \$310,076)

182,398

153,275

£1,675,320

CAPITAL EMPLOYED

£2,009,114

REPRESENTED BY:

595,785

FIXED ASSETS (Note 4)

585,782

207

UNQUOTED TRADE INVESTMENT at cost (Note 6)

207

19,419

DEFERRED ASSET

12,178

CURRENT ASSETS

3,326,496

Stock
Policy on the life of a former director
at surrender value
Debtors and prepayments
Bank balances and cash

3,821,700

35,530

35,530

1,664,171

1,613,182

904

2,583

5,027,101

5,472,995

CURRENT LIABILITIES

328,337

Amount due to parent companies
(\$663,115 - 1975 \$664,197)

390,068

302,337

Amount due to fellow subsidiary

303,478

1,899,716

Bank overdrafts

1,957,069

1,436,223

Creditors and accrued expenses

1,410,723

579

Current taxation

710

3,967,192

4,062,048

1,059,909

NET CURRENT ASSETS

1,410,947

B Stead)
RL Hollowood) Directors

£1,675,320

£2,009,114

JOHN MORRELL & COMPANY LIMITED

BALANCE SHEET AT 1 JANUARY 1977

27 December 1975

SHARE CAPITAL

£500,000

Authorised

500,000 shares of £1 each

£500,000

217,800

Issued and fully paid

217,800 shares of £1 each

217,800

REVENUE RESERVES

48,931

General reserves

48,931

707,401

Profit and loss account

800,447756,332849,378

974,132

1,067,178

395,000

532,410

DEFERRED TAXATION

LOAN FROM HOLDING COMPANY

John Morrell & Company

(\$310,076 - 1975 \$310,076)

182,398153,275

CAPITAL EMPLOYED

£1,781,986£1,522,407

REPRESENTED BY:

418,386

FIXED ASSETS (Note 5)

425,891

INVESTMENT IN SUBSIDIARIES

31,002

Shares at cost less amounts written off

31,002

423,000

Loan account

423,000

454,002

454,002

207

UNQUOTED TRADE INVESTMENT at cost (Note 6)

207

CURRENT ASSETS

2,833,460

Stock

3,374,357

35,530

Policy on the life of a former

35,530

1,651,162

director at surrender value

1,596,380

675

Debtors and prepayments

2,4464,520,827

Bank balances and cash

5,008,713

CURRENT LIABILITIES

328,337

Amount due to holding company

390,068

302,337

(\$663,115 - 1975 \$664,197)

303,478

251,661

Amount due to fellow subsidiary

1,795,561

Amount due to own subsidiaries on

432,825

1,193,119

current accounts

1,940,379

3,871,015

Bank overdrafts

1,040,077

Creditors and accrued expenses

4,106,827

649,812

NET CURRENT ASSETS

901,886

£1,522,407£1,781,986

B Stead
RL Hollowood) Directors

MORRELL & COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	<u>1976</u>		<u>1975</u>	
	£	£	£	£
SOURCE OF FUNDS				
Profit before taxation		304,803		315,418
Adjustments for items not involving the movement of funds:				
Depreciation	117,132		113,245	
Amount written off deferred asset	7,241		7,081	
Sale of fixed assets	14,572		16,745	
Loss on revaluation of loan from holding company	<u>29,123</u>		<u>23,413</u>	
		<u>168,068</u>		<u>160,484</u>
TOTAL GENERATED FROM OPERATIONS		472,871		475,902
APPLICATION OF FUNDS				
Purchase of fixed assets		<u>(121,701)</u>		<u>(105,076)</u>
		351,170		370,826
INCREASE/DECREASE IN WORKING CAPITAL				
Increase (decrease) in stock	495,204		(298,882)	
Increase (decrease) in debtors	(50,989)		69,826	
(Increase) in amounts due to group companies	(62,872)		(118,818)	
(Increase) decrease in creditors	25,501		(129,052)	
Movement in net liquid funds:				
Increase (decrease) in cash balance	1,679		(9,098)	
(Increase) decrease in bank overdraft	<u>(57,353)</u>		<u>856,850</u>	
		<u>(55,674)</u>		<u>847,752</u>
		<u>351,170</u>		<u>370,826</u>

MORRELL & COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	£	1976 £	£	£	1975 £	£
SOURCE OF FUNDS						
Profit before taxation			304,803			315,418
Adjustments for items not involving the movement of funds:						
Depreciation		117,132			113,245	
Amount written off deferred asset		7,241			7,081	
Sale of fixed assets		14,572			16,745	
Loss on revaluation of loan from holding company		<u>29,123</u>			<u>23,413</u>	
			<u>168,068</u>			<u>160,484</u>
TOTAL GENERATED FROM OPERATIONS			472,871			475,902
APPLICATION OF FUNDS						
Purchase of fixed assets			(121,701)			(105,076)
			351,170			370,826
INCREASE/DECREASE IN WORKING CAPITAL						
Increase (decrease) in stock		495,204			(298,882)	
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Movement in net liquid funds:						
Increase (decrease) in cash balance	1,679			(9,098)		
(Increase) decrease in bank overdraft	(57,353)			<u>856,850</u>		
		(55,674)			<u>847,752</u>	
			<u>351,170</u>			<u>370,826</u>

JOHN MORRELL & COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE FIFTY-THREE
WEEKS ENDED 1 JANUARY 1977

1 ACCOUNTING POLICIES

The main accounting policies of the company and its subsidiaries which have been consistently applied, are as follows:

a) Depreciation

Depreciation on fixed assets is provided over the expected useful lives of these assets on a straight line basis except where stated at the following rates:

Freehold property	-	5% on net book amount
Leasehold property	-	Amortised over the remainder of the lease
Plant and machinery	-	12½%
Motor cars	-	25%
Motor lorries	-	20%

b) Stock valuation

Stocks are included in the accounts at the lower of cost and net realisable value. Cost includes all direct charges in bringing goods up to the point of distribution including a proportion of attributable factory production overheads, handling and storage costs.

c) Amounts set aside for deferred taxation

The amounts set aside for deferred taxation under the deferral method represent adjustments made for the effect of taxation deferred by accelerated capital allowances and of items allocated for taxation purposes to periods other than the current accounting period including stock appreciation relief.

d) Foreign currencies

Assets and liabilities in foreign currencies are expressed in sterling at the rates ruling at the company's year end.

e) Pensions

Pensions are provided by means of an insured scheme. Based on an actuarial report at 1 April 1976 there was a funding deficiency of £9,000.

f) Sales

The figures shown in the consolidated profit and loss account are amounts receivable by the group for goods supplied to customers in the ordinary course of business.

J. H. MORRIS & COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE FIFTY-THREE
WEEKS ENDED 1 JANUARY 1977 (CONTINUED)

2 DIRECTORS' EMOLUMENTS EXCLUDING PENSION CONTRIBUTIONS

The emoluments of the chairman who was also the highest paid director during the period were £15,712 (1975 - £14,236).

The emoluments of the directors employed in the United Kingdom fell into the following brackets:-

	Fifty-three weeks ended 1 January 1977	Fifty-two weeks ended 27 December 1975
£5,001 - £7,500	1	-
£7,501 - £10,000	3	4
£10,001 - £12,500	1	2
£12,501 - £15,000	1	1
£15,001 - £17,500	1	-

3 TAXATION

Tax has been provided at the rate of 52% (1975 - 52%) on the profits for the period after taking benefit of £35,000 (1975 - £37,000) in respect of relief for losses brought forward from the trade which Spring Food Products Limited took over from Spring & Company Limited.

4 FIXED ASSETS - CONSOLIDATED BALANCE SHEET

	Freehold property	Short leasehold property	Machinery, vehicles and fixtures	Work in progress	Total
Cost at 27 December 1975	276,617	22,568	869,550	6,611	1,175,346
Additions	1,997	1,306	63,333	55,065	121,701
Reclassifications	(62,589)	-	62,589	-	-
Transfer from work in progress	236	-	20,780	(21,016)	-
Disposals	-	-	(54,487)	-	(54,487)
Cost at 1 January 1977	£216,261	£23,874	£961,765	£40,660	£1,242,560
Depreciation at 27 December 1975	76,582	10,778	492,201	-	579,561
Charged for period	6,037	3,624	107,471	-	117,132
Disposals	-	-	(39,915)	-	(39,915)
Depreciation at 1 January 1977	£82,619	£14,402	£559,757	-	£656,778
Net book amount at 1 January 1977	£133,642	£9,472	£402,008	£40,660	£585,782
Net book amount at 27 December 1975	£200,035	£11,790	£377,349	£6,611	£595,785

JOHN MORRELL & COMPANY LIMITED
 NOTES TO THE ACCOUNTS FOR THE FIFTY-THREE
 WEEKS ENDED 1 JANUARY 1977 (CONTINUED)

5 FIXED ASSETS - COMPANY BALANCE SHEET

	<u>Freehold property</u>	<u>Short leasehold property</u>	<u>Machinery, vehicles and fixtures</u>	<u>Work in progress</u>	<u>Total</u>
Cost at 27 December 1975	172,510	12,046	725,737	6,611	916,904
Additions	-	132	63,334	52,585	116,051
Reclassifications	(62,589)	-	62,589	-	-
Transfers from work in progress	236	-	20,780	(21,016)	-
Disposals	-	-	(54,355)	-	(54,355)
Cost at 1 January 1977	<u>£110,157</u>	<u>£12,178</u>	<u>£818,085</u>	<u>£38,180</u>	<u>£978,600</u>
Depreciation at 27 December 1975	63,512	5,939	429,067	-	498,518
Charged for period	832	2,582	90,605	-	94,019
Disposals	-	-	(39,828)	-	(39,828)
Depreciation at 1 January 1977	<u>£64,344</u>	<u>£8,521</u>	<u>£479,844</u>	<u>-</u>	<u>£552,709</u>
Net book amount at 1 January 1977	<u>£45,813</u>	<u>£3,657</u>	<u>£338,241</u>	<u>£38,180</u>	<u>£425,891</u>
Net book amount at 27 December 1975	<u>£108,998</u>	<u>£6,107</u>	<u>£296,670</u>	<u>£6,611</u>	<u>£418,386</u>

6 UNQUOTED TRADE INVESTMENTS

	<u>Group</u>	<u>Company</u>
Directors' valuation		
1 January 1977	£207	£207
27 December 1975	£207	£207

7 CAPITAL COMMITMENTS

Contracts placed by the company for capital expenditure at the balance sheet date amounted to £22,433 (1975 - £3,300). There was no capital expenditure authorised by the board (1975 - £12,000) for which contracts had not been placed.

8 CONTINGENT LIABILITIES

There is a contingent liability in a subsidiary company of approximately £128,000 (1975 - £100,000) in respect of taxation losses for which relief has been taken in these accounts although the amount of the losses available for relief has not yet been agreed with the Inland Revenue.

JOHN MORRELL & COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE FIFTY-THREE
WEEKS ENDED 1 JANUARY 1977 (CONTINUED)

9 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.

10 ULTIMATE HOLDING COMPANY

The company's ultimate holding company is United Brands Company which is incorporated in the United States of America.