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JOHN MORRELL & COMPANY LIMITED

REPORTS AND FINANCIAL STATEMENTS FOR THE FIFTY-TWO WEEKS ENDED

1st JANUARY, 1983

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JOHN MORRELL & COMPANY LIMITED

CHAIRMAN'S STATEMENT

Results

We had our best year since the Morrell Employees' Trust was set up, with Trading Profit at £433,658 and an 18% increase in turnover. The combination meant an improvement in margins. Though we had several other commitments to finance out of profits, we have been able to increase the bonus to one week's pay and to put a further £25,000 supplement into the Pension Fund.

From the market point of view the year went more smoothly with less distress selling by competitors. We launched six new products in the year.

So far as production was concerned, planning and supervising the building of the new factory took up a lot of time and it says a great deal for everybody at Bardney that high levels of production and efficiency were maintained.

Finance

I mentioned in my statement last year that we had arranged a seven year loan to enable us to finance the new building. That came from Barclays Bank for whose assistance we are most grateful. We were also greatly assisted by I. C. F. C. and Midland Bank Industrial Investments who agreed to extend the repayment period on existing loans. Full details are shown in Note 13 of the accounts. These are further instances of help since the Trust was set up.

During the year we disposed of a further portion of the Brigg property and only one warehouse now remains. That sale, with the seven year loan, covered the estimated cost of the new building but actual tenders exceeded this amount. We were able to cover the excess out of profits. Thanks to our good result, at the year end we had reduced our overdraft by nearly £130,000, after increases in stocks and debtors arising from our increase in turnover.

Since the year end we have been equipping the new factory and this is largely being financed by leasing with Mercantile Credit. The Preference shareholders have supported the project by agreeing to an increase in the Company's leasing commitment.

Re-equipment

From our steady progress and improved profit base we are now able to look ahead to improvements that will make our business even more competitive.

New pet food formulations to give better value are advancing well. Improvements to packing lines have been made and more are under investigation. Our shrinkwrapping facilities have been extended. We have plans for further capital spending where returns are excellent.

Prospects

The probable sale of Smedley/TKM Foods overhung the winter months with the threat of the kind of distress selling which affected our results in the second half of 1981. We followed the position closely and put in a formal bid. However, the eventual sale terms were beyond those we were prepared to accept. It remains to be seen how we will be affected by the integration of Smedley with Lockwoods.

A mild January and February at the start of 1983 produced strong competition from fresh vegetables with low prices. In February we also had the misfortune to be the only canner affected by the water strike as a mains supply was not repaired for four weeks and we lost production and sales. I am happy to say that some of the lost ground was recovered in March.

1983 has so far proved more difficult than its predecessor but we look for a result that is satisfactory if not perhaps as good as 1982.

People

1982 was a good year only because of sterling work in difficult conditions by all employees. Difficulties have persisted in differing forms into 1983. We the Directors recognise the excellent spirit in which problems have been tackled and we have no doubt that a continuation of that spirit will contribute much to the results of 1983.

C.C. Taylor



1st June 1983

JOHN MORRELL & COMPANY LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the fifty-two weeks ended 1st January, 1983.

ACTIVITIES

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

RESULT FOR THE PERIOD

£

The group profit for the period
after taxation amounted to 320,852

This has been appropriated as follows:

Preference dividends
to 31st December, 1982 [Note 7 and 11(c)] 92,880

ADDED TO RESERVES £227,972
=====

The directors do not recommend the payment of an ordinary dividend.

DIRECTORS

The directors who held office during the financial period were:-

C.C. Taylor (Chairman)
J.K. Tunstall (Managing Director)
A.J. Lambert
J.A. Lemon
Miss Z.M. Owens

The directors who were in office at 1st January, 1983 had no beneficial interest in the shares of group companies other than as employees of the company in which capacity they are beneficiaries under the settlement created during 1977, for the benefit of all employees. There was no contract of significance during the period in which any director had a material interest.

EMPLOYEES AND REMUNERATION

The average number of persons that the group employed each week during the period was 346 (1981 343). Their aggregate remuneration for the period was £2,024,346 (1981 £1,791,153).

REPORT OF THE DIRECTORS (Continued)

TAX LOSSES

At 1st January 1983, there are adjusted losses and unused capital allowances for taxation purposes of approximately £1,400,000 carried forward which are available to be set against future trading profits. In addition the Company has paid a total of £188,384 in Advance Corporation Tax which is available for application against future tax liabilities. In accordance with prudent accounting policy, A.C.T. is being written off in the accounts when paid, although it remains available for ultimate credit when tax liabilities occur.

LOAN REPAYMENTS

An additional loan of £300,000 was negotiated with Barclays Bank PLC during the year to help finance factory development, and at the same time new repayment terms were negotiated on the outstanding £225,000 balances of each of the existing loans from I.C.F.C. and M.B.I.I. Each of these loans is now repayable by six annual instalments of £35,000 commencing on December 31st 1982, with final payments of £15,000 on 31st December 1988. From 1st January 1983 the rate of interest on the I.C.F.C. loan is increased to 15.75% p.a; the M.B.I.I. loan interest remains unchanged at 15.5% p.a.

No repayment of the Barclays loan is due until the second anniversary of its draw-down, i.e. 11th November 1984. Repayments are then due in consecutive annual instalments of £50,000 each. Interest on the Barclays loan is determined by a formula based upon the London Inter Bank rate ruling at the opening day of each interest period during the currency of the loan. Each interest period may be of 3, 6 or 12 months duration at the Company's option.

PENSION FUNDS

A further supplementary amount of £25,000 has been provided for payment to the trustees of the employees pension funds in order to strengthen the funding base of the schemes. The total company contribution has thereby been increased to £155,071 for the year (1981 £130,282).

POLITICAL AND CHARITABLE CONTRIBUTIONS

No contributions were made for political purposes. Contributions for charitable purposes amounted to £624 (1981 £225).

FIXED ASSETS

The company's freehold property was valued as at 27th December, 1980 by Henry Spencer & Sons, Auctioneers and Valuers, on the basis of open market price without regard to enhanced value for specialist use, in the sum of £362,000.

The new factory building, substantially complete at 1st January 1983, was valued by Henry Spencer & Sons on 29th January 1982, from the architects' plans and specifications, on the basis of open market value as part of the factory complex, in the sum of £160,000. The cost of this building is included within the heading of uncompleted capital projects in progress in Note 8 (a) to these financial statements.

REPORT OF THE DIRECTORS (Continued)

FIXED ASSETS (Continued)

The valuation of the factory complex, referred to above, is in excess of the net book value at which it is shown in Note 8 (a) to these financial statements.

The plant and equipment at the company's factory was valued by the directors as at 27th December, 1980 on the basis of depreciated replacement cost, in the sum of £550,000.

The directors are of the opinion that no significant alteration to the values of the fixed assets has occurred since these valuations.

Incorporation of these asset valuations in the financial statements for the 52 weeks ended 1st January, 1983 would have given rise to a capital surplus of £491,930.

EMPLOYMENT OF DISABLED PERSONS

Applications for employment by disabled persons are sympathetically considered, having regard to the capabilities of the applicant concerned. In the event of employees becoming disabled every effort is made to provide them with employment in the Company and to arrange any necessary re-training but continuance of employment cannot be guaranteed. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of a person who does not suffer from any disability.

EQUIPMENT LEASING

The Company is continuing its policy of leasing various items of equipment and vehicles. At 1st January 1983, the liability for leasing payments, amounted to £235,774. The initial cost of the items on primary rental amounted to £332,677.

AUDITORS

In accordance with Section 14 of the Companies Act 1976 a resolution proposing the reappointment of Deloitte Haskins & Sells as auditors to the company will be put to the annual general meeting.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 7 to 22 were approved by the Board of Directors on 1st June 1983.

BY ORDER OF THE BOARD


P.G. HARRISON

Secretary

Liverpool

1st June 1983

AUDITORS REPORT TO THE MEMBERS OF
JOHN MORRELL & COMPANY LIMITED

We have audited the financial statements on pages 7 to 17 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 1st January, 1983 and of the profit and source of application of funds of the group for the fifty-two weeks then ended, and comply with the Companies Acts 1948 to 1981.

In our opinion the abridged supplementary current cost accounts on pages 18 to 22 have been properly prepared, in accordance with the policies and methods described in notes 1 to 5, to give the information required by Statement of Standard Accounting Practice No. 16.

Deloitte Haskins & Sells

DELOITTE HASKINS & SELLS

Chartered Accountants

Liverpool -

2nd June, 1983

JOHN MORRELL & COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE FIFTY-TWO WEEKS ENDED 1st JANUARY, 1983

	Notes	52 weeks ended 1st January, 1983 £	53 weeks ended 2nd January, 1982 £
TURNOVER		19,184,027 =====	16,270,223 =====
TRADING PROFIT	2	433,658	293,047
EMPLOYEE BONUS		(33,000)	(9,372)
SUPPLEMENTARY CONTRIBUTION TO PENSION FUNDS		(25,000)	(25,000)
EXCEPTIONAL ITEMS	6	(15,000)	(37,820)
PROFIT BEFORE TAXATION		360,658	220,855
TAXATION	4	(39,806)	(10,304)
PROFIT AFTER TAXATION		320,852	210,551
DIVIDENDS ON PREFERENCE SHARES	7	(92,880)	(88,000)
RETAINED PROFIT FOR THE PERIOD - JOHN MORRELL & COMPANY LIMITED	12	£ 227,972 =====	£ 122,551 =====

JOHN MCRRELL & COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AT 1st JANUARY, 1983

	Notes	1st January 1983 £	2nd January 1982 £
FIXED ASSETS	8	<u>806,563</u>	<u>461,545</u>
INVESTMENTS	9(a)	<u>207</u>	<u>207</u>
CURRENT ASSETS			
Stock and work in process	10	4,590,380	4,329,050
Debtors		2,964,465	2,778,729
Bank balances and cash		<u>2,750</u>	<u>3,134</u>
		£ 7,557,595	£ 7,110,913
		=====	=====
CURRENT LIABILITIES			
Amount due to holding company		51,064	51,240
Creditors		2,077,661	1,665,225
Advance corporation tax		20,949	18,857
Proposed preference dividend	7	48,880	-
Bank overdrafts (secured)	14	2,413,086	2,542,590
Loans (secured) - current portion	13	<u>70,000</u>	<u>150,000</u>
		£ 4,681,640	£ 4,427,912
		=====	=====
NET CURRENT ASSETS		<u>2,875,955</u>	<u>2,683,001</u>
		£ 3,682,725	£ 3,144,753
		=====	=====
Financed by:			
ORDINARY SHARE CAPITAL	11	750,000	750,000
DEFERRED SHARE CAPITAL	11	217,800	217,800
RESERVES	12	<u>1,304,925</u>	<u>1,076,953</u>
ORDINARY SHAREHOLDERS' FUNDS		2,272,725	2,044,753
PREFERENCE SHARE CAPITAL	11	<u>800,000</u>	<u>800,000</u>
TOTAL SHAREHOLDERS' FUNDS		3,072,725	2,844,753
LOANS (secured)	13	<u>310,000</u>	<u>300,000</u>
		£ 3,682,725	£ 3,144,753
		=====	=====

C.C. TAYLOR

J.K. TUNSTALL

C.C. Taylor
) Directors
J.K. Tunstall

JOHN MORRELL & COMPANY LIMITED

BALANCE SHEET AT 1st JANUARY, 1983

	Notes	1st January, 1983 £	2nd January, 1982 £
FIXED ASSETS	8	<u>806,563</u>	<u>461,545</u>
INVESTMENTS	9	<u>31,209</u>	<u>31,209</u>
CURRENT ASSETS			
Stock and work in process	10	4,590,380	4,329,050
Debtors		2,964,465	2,778,729
Bank balances and cash		<u>2,750</u>	<u>3,134</u>
	£	<u>7,557,995</u>	£ <u>7,110,913</u>
		=====	=====
CURRENT LIABILITIES			
Amount due to holding company		51,064	51,240
Amount due to subsidiary companies		31,002	248,347
Creditors		2,077,661	1,665,225
Advance corporation tax		20,949	18,857
Proposed preference dividend	7	48,880	-
Bank overdrafts (secured)	14	2,413,086	2,542,590
Loans (secured) - current portion	13	<u>70,000</u>	<u>150,000</u>
	£	<u>4,712,642</u>	£ <u>4,676,259</u>
		=====	=====
NET CURRENT ASSETS		<u>2,844,953</u>	<u>2,434,654</u>
	£	<u>3,682,725</u>	£ <u>2,927,408</u>
		=====	=====
Financed by:			
ORDINARY SHARE CAPITAL	11	750,000	750,000
DEFERRED SHARE CAPITAL	11	217,800	217,800
RESERVES	12	<u>1,304,925</u>	<u>859,608</u>
ORDINARY SHAREHOLDERS' FUNDS		2,272,725	1,827,408
PREFERENCE SHARE CAPITAL	11	<u>800,000</u>	<u>800,000</u>
TOTAL SHAREHOLDERS' FUNDS		3,072,725	2,627,408
LOANS (secured)	13	<u>610,000</u>	<u>300,000</u>
	£	<u>3,682,725</u>	£ <u>2,927,408</u>
		=====	=====

C.C. TAYLOR

C.C. Taylor
)
) Director

J.K. TUNSTALL

J.K. Tunstall
)

JOHN MORRELL & COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE FIFTY-TWO WEEKS ENDED 1st JANUARY, 1983

	52 weeks ended 1st January, 1983 <u>£</u>	53 weeks ended 2nd January, 1982 <u>£</u>
SOURCE OF FUNDS		
Profit before taxation	360,658	220,855
Items not involving the movement of funds:		
Depreciation of fixed assets	101,167	100,037
(Profit)/Loss on sale of fixed assets	(16,279)	399
Total funds generated from operations	<u>445,546</u>	<u>321,291</u>
Loan raised during period	300,000	-
Proceeds on sale of fixed assets	101,874	48,503
Total source of funds	<u>847,420</u>	<u>369,794</u>
APPLICATION OF FUNDS		
Repayment of loans during period (Note 13)	-	250,000
Purchase of fixed assets	531,780	260,788
Advance corporation tax	37,714	56,571
Preference dividends paid during period (Note 7)	<u>44,000</u>	<u>132,000</u>
Total application of funds	<u>613,494</u>	<u>699,359</u>
Net increase/(decrease) in funds	£ 233,926 =====	£ (329,565) =====
REPRESENTED BY A MOVEMENT IN WORKING CAPITAL COMPRISING		
Increase in stock	261,330	803,457
Increase in debtors	185,736	836,924
Decrease in amounts due to holding company	176	20,057
(Increase) in creditors	<u>(342,436)</u>	<u>(187,003)</u>
	<u>104,806</u>	<u>1,473,435</u>
(Decrease) in bank balances and cash	(384)	(214,859)
Decrease/(Increase) in bank overdraft	<u>129,504</u>	<u>(1,588,141)</u>
Increase/(Decrease) in liquid funds	<u>129,120</u>	<u>(1,803,000)</u>
Net increase/(decrease) in working capital	£ 233,926 =====	£ (329,565) =====

JOHN MORRELL & COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS AT 1st JANUARY, 1983

1. ACCOUNTING POLICIES

The financial statements are drawn up on the historical cost basis of accounting for periods of 52 weeks, or when appropriate 53 weeks, ending on the Saturday nearest to the end of the calendar year. The financial statements consolidate the results of John Morrell & Company Limited and of its subsidiary companies as listed in note 15. The accounting periods of subsidiary companies are co-terminous with that of the parent company. In the financial statements the following accounting policies have been adopted:

- a) Turnover represents the amounts invoiced, excluding value added tax, in respect of the sale of goods which have been delivered to external customers during the period.
- b) Fixed Assets are stated in the balance sheet at cost less depreciation, except uncompleted capital projects which are stated at cost.
- c) Depreciation is calculated so that fixed assets are written off by equal annual instalments over their estimated useful lives, except when otherwise stated, at the following rates:-
- | | |
|---------------------|---|
| Freehold property | 5% p.a. on net book amount |
| Leasehold property | Amortised over the remainder of the lease |
| Plant and machinery | 12½% p.a. |
| Motor cars | 25% p.a. |
| Motor lorries | 20% p.a. |
- d) Investments are stated at cost. Income from investments is included in the financial statements when amounts are declared payable.
- e) Stock and work in process are stated in the balance sheet at the lower of cost and estimated 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.
- f) Pensions are provided by means of managed schemes.
- g) Deferred taxation is provided on the liability method at the current rate of corporation tax. It applies to those items of income and expenditure which are recognised for tax purposes in different years from those in which they are recognised in the profit and loss account. No provision is made where there is a reasonable probability that no liability will arise in the foreseeable future.
- h) Foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. TRADING PROFIT	1st January, 1983 <u>£</u>	2nd January, 1982 <u>£</u>
Trading profit is stated after charging:		
Auditors' remuneration	11,882	10,987
Depreciation of fixed assets	101,167	100,037
Hire of plant and machinery	76,306	82,418
Directors' emoluments (Note 3)	82,254	78,707
Interest payable:		
Loans	69,875	101,090
Bank overdrafts	317,223	251,005
	<u>=====</u>	<u>=====</u>
 3. DIRECTORS' EMOLUMENTS		
Directors' fees	15,022	18,128
Management remuneration and pension contributions	67,232	60,579
	<u>£82,254</u>	<u>£78,707</u>
	<u>=====</u>	<u>=====</u>
 The directors' emoluments disclosed above (excluding pension contributions) were paid to:		
The chairman	£8,806	£8,003
Highest paid director	£22,452	£20,591
 The number of other directors who received amounts in the following ranges:		
£Nil to £ 5,000	-	2
£5,001 to £10,000	1	-
£10,001 to £15,000	-	-
£15,001 to £20,000	2	2

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. TAXATION	1st January, 1983	2nd January, 1982
	<u>£</u>	<u>£</u>
Deferred taxation - extraordinary item	-	27,410
Advance corporation tax	(39,806)	(37,714)
Charge for period	<u>£(39,806)</u> =====	<u>£(10,304)</u> =====

At 1st January, 1983 there are losses for taxation purposes carried forward of approximately £1,400,000 which are available to be set against future trading profits.

5. TAXATION STATUS OF THE COMPANY

The company is a "close company" within the provisions of the Income and Corporation Taxes Act 1970.

6. EXCEPTIONAL ITEMS

Legal and professional costs of clarifying the Morrell Trust	£(15,000) =====	£(37,820) =====
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7. DIVIDENDS ON PREFERENCE SHARES

Paid year to 31st December 1981	-	88,000
Paid half year to 30th June 1982	44,000	-
Proposed half year to 31st December 1982 (paid 4th January, 1983)	44,000	-
Proposed participating dividend for the year to 31st December 1982 [Note 11(c)]	4,880	-
	<u>£92,880</u> =====	<u>£88,000</u> =====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8(a) FIXED ASSETS	Freehold Property £	Short Leasehold Property £	Plant Machinery & vehicles £	Uncompleted capital projects in progress £	Total £
Cost					
At 2nd January 1982	227,005	25,041	964,975	47,482	1,264,503
Additions	-	-	122,154	409,626	531,780
Disposals	(40,000)	-	(96,638)	-	(136,638)
Transfers	7,334	-	62,927	(70,261)	-
At 1st January 1983	£194,329	£25,041	£1,053,418	£386,847	£1,659,645
Depreciation					
At 2nd January 1982	80,490	24,762	697,706	-	802,958
Provided	6,193	41	94,933	-	101,167
Disposals	(2,016)	-	(49,027)	-	(51,043)
At 1st January 1983	£84,667	£24,803	£743,612	-	£853,082
Net Book Value at 1st January 1983	£109,672	£238	£309,806	£386,847	£806,563
Net Book Value at 2nd January 1982	£146,515	£279	£267,269	£47,482	£461,545

8(b) CAPITAL COMMITMENTS	1st January, 1983 £	2nd January, 1982 £
Authorised by the directors but not committed	£81,375	£42,738

Substantial capital expenditure plans in excess of the above amounts have been approved but these are all intended to be financed by leasing agreements.

9. INVESTMENTS

a) Group and Company		
Unlisted shares at cost		
[Directors' valuation £207 (1981 £207)]	£207	£207
b) Company		
Investments in subsidiaries (Note 15)		
Shares at cost	£31,002	£31,002

10. STOCK AND WORK IN PROCESS

Group and Company		
Stock and work in process comprise:		
Raw materials	570,957	723,340
Work in process	182,521	120,457
Finished goods	3,836,902	3,485,253
	£4,590,380	£4,329,050

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. SHARE CAPITAL	1st January, 1983	2nd January, 1982
	£	£
John Morrell & Company Limited:		
Authorised, issued and fully paid		
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>
	=====	=====

- (a) 125,000 each of the 'A' and of the 'B' convertible cumulative redeemable participating preference shares of £1 each are designated 'A' and 'B' option shares respectively. The holders of these option shares are entitled at any time to convert the whole or part of such shares on payment of the sum of 50 pence in respect of each option share converted into such number of 'A' ordinary shares of £1 each in the capital of the company as shall (if all the said 250,000 option shares are converted) represent 25% not only in nominal value but also in terms of voting rights attaching thereto of the issued ordinary share capital of the company as increased by the exercise of such right or (if only part of the option shares are converted) as shall represent such lower percentage pro rata.
- (b) The holders of preference shares shall have the right during the period of two months after the receipt by such holders of the audited accounts of the company for each of the financial years ending or current at 31st December 1985 to 1989 to require the company to redeem up to 80,000 'A' and 80,000 'B' preference shares at par.

In the event that in any given year the holders of the preference shares do not exercise those rights then the company shall have the right within the time prescribed to redeem 55,000 'A' Preference Shares and 55,000 'B' Preference Shares but not including the Option Shares and the company may at any time after it has discharged in full its indebtedness to the 'A' and 'B' Preference Shareholders offer to redeem the whole or a proportion of the preference shares at par.

With effect from two months after the receipt by the holders of the preference shares of the audited accounts of the company for the financial year ended on or current at 31st December 1990, the company shall have the right to redeem in any period of 12 months thereafter up to 25,000 'A' and 25,000 'B' Preference Shares (but not including any 'A' or 'B' Option Shares unless and until all other 'A' and 'B' Preference Shares have been redeemed).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. SHARE CAPITAL (Continued)

- (c) The 'A' and 'B' preference shares carry rights to participate in 8% of adjusted profits of the company as defined in the Articles of Association in excess of £60,000 in any financial year.

Adjusted profits for this purpose are defined by the Articles of Association as being the Profit before Taxation as shown in the consolidated profit and loss account plus excess employees emoluments which in turn are defined as the excess of the average annual emoluments per employee for the financial period in question as compared with the same figure at 1st January, 1977 subject to the movement of the 'Index of Average Earnings - all employees' for the food drink and tobacco industries over the same period.

The adjusted profits for the period have been calculated at £661,061 giving rise to a participating dividend of £4,880 as shown in Note 7.

- (d) The holders of deferred shares are not entitled to have any voice in the management of the business or control of the Company. The shares shall not rank for a dividend and on a return of assets on liquidation the holders thereof shall be entitled to receive the sum of £1 in respect of the whole of such shares then outstanding.

12. RESERVES

	1st January, 1983	2nd January, 1982
	£	£
<u>Retained Profits</u>		
At 2nd January 1982	1,076,953	954,402
Transfer from the profit and loss account:		
Retained profit for the period	227,972	122,551
At 1st January, 1983	<u>£1,304,925</u>	<u>£1,076,953</u>
	=====	=====
Retained within:		
John Morrell & Company Limited	1,304,925	859,608
Subsidiary companies	-	217,345
	<u>£1,304,925</u>	<u>£1,076,953</u>
	=====	=====
Profit for the period retained within:		
John Morrell & Company Limited	445,317	122,551
Subsidiary companies	(217,345)	-
	<u>£227,972</u>	<u>£122,551</u>
	=====	=====

13. LOANS

Barclays Bank PLC	300,000	-
Industrial and Commercial Finance Corporation Limited	190,000	225,000
Midland Bank Industrial Investments Limited	190,000	225,000
	<u>680,000</u>	<u>450,000</u>
LESS: Repayable 31st December, 1983	(70,000)	(150,000)
	<u>£610,000</u>	<u>£300,000</u>
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. LOANS (Continued)

The repayments of the I.C.F.C. and M.B.I.I. loans have been retimed. In accordance with the new terms the balance of each loan is to be repaid in 6 annual instalments of £35,000, the first due on 31st December 1982, and a final instalment of £15,000 due on 31st December 1988. The first scheduled payments were made on 4th January 1983.

The repayment of the Barclays loan is by 6 annual instalments of £50,000, the first due on 11th November, 1984.

Interest on the M.B.I.I. loan is at 15.5% and on the I.C.F.C. loan is at 15.75%, each payable on the reducing balances.

Interest on the Barclays loan is payable at rates determined from time to time by a formula based upon the London Inter Bank rate.

The loans are secured by a fixed charge on freehold and leasehold land and buildings and a floating charge on all the assets of John Morrell & Company Limited and collateral debentures giving a fixed charge on all the freehold and leasehold premises of the company and its subsidiaries and a floating charge on all the assets of these companies subject to a deed of priorities between the group's bankers and loan capital holders.

14. BANK OVERDRAFTS

Bank overdrafts are secured by a fixed charge on the group's freehold and leasehold properties, a first fixed charge on investment in subsidiaries and a floating charge on all other assets subject to a deed of priorities between the group's bankers and loan capital holders. Cross guarantees have been given between the company, its ultimate holding company and subsidiary companies.

15. 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. The undertakings and assets of the subsidiaries were transferred to the company as at the close of business on 29th December, 1979. The undistributed reserves of the subsidiaries were paid as a dividend to the company before the close of business on 1st January 1983 and the subsidiaries are now dormant.

16. COMPANIES ACT 1981

The company is not yet required to comply with the accounting and disclosure provisions of Part 1 of the Companies Act 1981. These financial statements are drawn up in accordance with Section 149A of, and Schedule 8A to, the Companies Act 1948.

17. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is A.C. Morrell Limited, which is incorporated in England.

JOHN MORRELL & COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

ABRIDGED SUPPLEMENTARY CURRENT COST STATEMENTS

CONSOLIDATED CURRENT COST PROFIT AND LOSS ACCOUNT

FOR THE FIFTY TWO WEEKS ENDED 1st JANUARY, 1983

	52 weeks ended 1st January, 1983	53 weeks ended 2nd January, 1982 (amended)
	£	£
TURNOVER	19,184,027	16,270,223
Profit before taxation as in historical accounts	360,658	220,855
Interest payable	387,098	352,095
Profit before interest and taxation	<u>747,756</u>	<u>572,950</u>
Current cost operating adjustments	2 (435,908)	(336,137)
CURRENT COST OPERATING PROFIT	<u>311,848</u>	<u>236,813</u>
Gearing adjustment	158,671	106,219
Interest payable	(387,098)	(352,095)
	(228,427)	(245,876)
CURRENT COST PROFIT/(LOSS) BEFORE TAXATION	<u>83,421</u>	<u>(9,063)</u>
Taxation	(39,806)	(10,304)
CURRENT COST PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	<u>43,615</u>	<u>(19,367)</u>
Dividends	(92,880)	(88,000)
RETAINED CURRENT COST (LOSS) FOR THE PERIOD	£ (49,265)	£(107,367)

STATEMENT OF RETAINED PROFITS AND RESERVES

Retained current cost (loss) for the period		(49,265)	(107,367)
Movements on current cost reserves	5	153,408	300,469
		<u>104,143</u>	<u>193,102</u>
Retained profit at the beginning of the period		1,399,877	1,206,775
Retained profit at the end of the period		<u>£1,504,020</u>	<u>£1,399,877</u>

JOHN MORRELL & COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

ABRIDGED SUPPLEMENTARY CURRENT COST STATEMENTS

SUMMARISED CONSOLIDATED CURRENT COST BALANCE SHEET

AT 1st JANUARY, 1983

	<u>Notes</u>	<u>1st January, 1983</u>	<u>2nd January 1982 (amended)</u>
		£	£
FIXED ASSETS	4	966,174	665,910
NET CURRENT ASSETS			
Stock and work in process		4,629,864	4,447,609
Monetary working capital (net)		(276,282)	(136,496)
Total working capital		4,353,582	4,311,113
Proposed dividends		(48,880)	-
Other current liabilities (net)		(1,319,056)	(1,359,346)
Net current assets		2,985,646	2,951,767
		£3,951,820	£3,617,677
Financed by:			
SHARE CAPITAL		1,767,800	1,767,800
CURRENT COST RESERVE	5	1,626,008	1,472,600
RETAINED LOSS		(121,988)	(72,723)
		1,504,020	1,399,877
SHAREHOLDERS' FUNDS		3,271,820	3,167,677
LOANS		680,000	450,000
		£3,951,820	£3,617,677

JOHN MORRELL & COMPANY LIMITED

NOTES TO THE CURRENT COST STATEMENTS

AT 1st JANUARY, 1983

1. The Accounting Framework and Accounting Policies in Current Cost Statements
- A. General Description of Current Cost Statements

The current cost statements on pages 18 to 22 have been prepared in compliance with SSAP16. The current cost system, whilst not a system of accounting for general inflation, allows for price changes specific to the business when reporting assets employed and profits thereon.

The current cost operating profit is the surplus (before interest and tax) arising from the ordinary activities of the business in the period. It is determined after allowing for the impact of price changes on the funds needed to maintain the productive capacity (the net operating assets) but does not take into account the way in which these assets are financed.

This result is achieved by making adjustments to trading profit before interest calculated on the historical cost basis. These adjustments are described in sections B and C below and are set out in Note 2.

The current cost profit attributable to shareholders is the surplus after allowing for the impact of price changes on the funds needed to maintain only their proportion of the net operating assets. It is shown after interest, taxation and a gearing adjustment, described in Section D below.

In the balance sheet fixed assets and stocks are included at their current cost (net of depreciation on fixed assets).

- B. Fixed Assets and Depreciation

The gross current cost of fixed assets has been derived as follows:-

Plant, machinery and leasehold property have been restated using appropriate Government indices applied to the historical costs.

The current cost of freehold land and buildings has been based on professional valuations, indexed since 1976.

Total depreciation charged in the current cost profit and loss account represents the average current cost of the proportion of fixed assets consumed in the period. The depreciation adjustment of £63,325 is the difference between the depreciation charge in the historical cost and current cost accounting systems.

NOTES TO THE CURRENT COST STATEMENTS (Continued)

C. Working Capital

This includes stocks (including work in process) and trade debtors less trade creditors.

In order to allow for the impact of price changes on working capital, two adjustments are made to operating costs calculated on the historical cost basis, one on stock and the other on monetary working capital. The adjustments are based on movement in price indices issued by the Government Statistical Service. These indices reflect closely the changes in input prices experienced by the company.

D. The Gearing Adjustment

A proportion, called the gearing proportion, of the net operating assets of the business is financed by borrowing. As the obligation to repay borrowing is fixed in monetary amount, irrespective of price changes on the proportion of assets so financed, it is unnecessary to provide for the impact of price changes on these assets when determining the current cost profit attributable to shareholders. Thus, the gearing adjustment has been applied which abates the current cost operating adjustments by the average gearing proportion in the period.

E. Other Accounting Policies

Except as set out above the policies used in the current cost statements, are the same as used in the historical cost statements.

2. CURRENT COST ADJUSTMENTS MADE IN DERIVING THE OPERATING PROFIT

	1st January, 1983	2nd January, 1982
	£	£
Cost of sales	391,789	258,337
Monetary working capital	(8,268)	4,107
WORKING CAPITAL	<u>383,521</u>	<u>262,444</u>
Depreciation	47,910	63,325
Fixed asset disposals	4,477	10,368
CURRENT COST OPERATING ADJUSTMENTS	<u>£ 435,908</u> =====	<u>£336,137</u> =====

3. FINANCING OF THE NET OPERATING ASSETS

The following is the net current replacement cost of the net operating assets at the balance sheet dates, together with the method by which they were financed:

Fixed assets	966,174	665,910
Working capital	4,353,582	4,311,113
<u>Net operating assets</u>	<u>£ 5,319,756</u> =====	<u>£4,977,023</u> =====
Share capital and reserves	3,271,820	3,167,677
Proposed dividend	48,880	-
Total shareholders' interest	<u>3,320,700</u>	<u>3,167,677</u>
Loans	680,000	450,000
Other current liabilities (net)	1,319,056	1,359,346
<u>Net borrowing</u>	<u>1,999,056</u> <u>£5,319,756</u> =====	<u>1,809,346</u> <u>£4,977,023</u> =====

NOTES TO THE CURRENT COST STATEMENTS (Continued)

4. FIXED ASSETS	Freehold and leasehold land and buildings <u>£</u>	Plant and machinery <u>£</u>	<u>Total</u> <u>£</u>
Gross current replacement cost at 1st January, 1983	714,245	3,925,722	4,639,967
Depreciation	<u>(501,993)</u>	<u>(3,172,498)</u>	<u>(3,674,491)</u>
Net current replacement cost at 1st January, 1983	£ 212,252 =====	£ 753,224 =====	£ 965,476 =====
Net current replacement cost at 2nd January, 1982	£ 272,060 =====	£ 398,850 =====	£ 665,910 =====
 5. CURRENT COST RESERVE			
	<u>1st January, 1983</u> <u>£</u>	<u>2nd January, 1982 (amended)</u> <u>£</u>	
Balance at 2nd January, 1982	1,472,600	1,172,131	
Change in unrealised revaluation surpluses:			
Fixed assets	(44,754)	(21,126)	
Stock and work in process	(79,075)	91,677	
	<u>1,348,771</u>	<u>1,242,682</u>	
Current cost operating adjustments	435,908	336,137	
Gearing adjustment	(158,671)	(106,219)	
Balance at 1st January, 1983	£ 1,626,008 =====	£ 1,472,600 =====	
of which:			
realised	1,426,913	1,149,676	
unrealised	199,095	322,924	
	<u>£ 1,626,008</u> =====	<u>£ 1,472,600</u> =====	

The realised element represents the net cumulative total of the current cost adjustments which have been passed through the profit and loss account. Thus it represent the difference between historical and current cost profits since current cost statements were first prepared, in this case since 1st January, 1978.