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DIRECT T.T. SUPPLIES LIMITED

REPORT
AND
ACCOUNTS

31st DECEMBER 1985



DIRECT T.T. SUPPLIES LIMITED

Directors

Mrs F. Griffiths Mrs B.J. Gunn
A.B. Gunn G. Lake
Mrs C.A. Frost Miss H.E. Gunn
Miss F.B. Gunn

Secretary G. Lake

Registered office: Woodlands, Forden, Welshpool, Powys

REPORT OF THE DIRECTORS

The directors present to the members their report and accounts for the year ended 31st December 1985.

Principal Activity

Principal activities of the company continue to be in the catering industry through its retail milk bars and restaurants, trading under the name of "National Milk Bars". The company also operates a number of "Wimpy" and "Kentucky Fried Chicken" outlets under franchise agreements. The total turnover of the company's catering activities increased by 9.2% to £2,550,743.

Investment

The company continued its investment in freehold farmland and buildings at Walcot Estate, Shropshire.

Profit and Appropriation

Profit from company's ordinary activities	151,205
Less: Taxation	65,955
	85,250
Extraordinary profit	15,921
	101,171
Dividend: Paid	12,450
Proposed	17,430
	29,880
Leaving a retained profit of	£71,291

Review of the Development of the business

Turnover has increased by some 9% and this has combined with an improved gross profit % to show an increase in gross profit for the year of some £207,000. These improvements have led to a significant increase in net profit on ordinary activities, despite increased overheads.

This was the first full years trading of the Wimpy franchise unit at Rhyl and this has contributed to the improved results.

DIRECT T.T. SUPPLIES LIMITED

REPORT OF THE DIRECTORS (continued)

Review of the Development of the Business
Future Developments

It continues to be the company's policy to develop its outlets to a very high standard to make them attractive to customers, which it is hoped will be reflected in further increases in turnover despite increasing competition.

Post Balance Sheet Events

There were no significant post balance sheet events which the directors feel should be brought to the attention of the shareholders.

Directors

The interest of the directors in the shares of the company were:-

	<u>31st December 1985</u>	<u>31st December 1984</u>
	<u>Ordinary Shares</u>	<u>Ordinary Shares</u>
Mrs Florence Griffiths	102	102
Mrs B.J. Gunn	1,325	1,325
A.B. Gunn	300	300
G. Lake	1	1
Mrs C.A. Frost	66	66
Miss H.E. Gunn	66	66
Miss F.B. Gunn	66	66

Market Value of Property

In the opinion of the directors, the estimated aggregate market value of the freehold properties is £950,000 which compares with a book value at 31st December 1985 of £846,827.

Close Company

The company is a close company, as defined in the Income and Corporation Taxes Act 1970, as amended by the Finance Act 1972.

Employees

The average number of employees of the company during the year was 223 (1984 - 219) and the aggregate remuneration was £727,800 (1984 - £678,178).

Auditors

The auditors, Hodgson Impey, are eligible for re-appointment.

By Order of the Board

G. Lake

Secretary

4th June 1986

Report of the auditors to the members of
Direct T.T. Supplies Limited

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

In our opinion the financial statements, which have
been prepared under the historical cost convention,
give a true and fair view of the state of the company's
affairs at 31st December 1985 and of its profit and
source and application of funds for the year then
ended and comply with the Companies Act 1985.

Hereford

HODGSON IMPEY

4th June 1986

Chartered Accountants

DIRECT T.T. SUPPLIES LIMITED

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31st DECEMBER 1985

Basis of accounting

The accounts have been prepared under the historical cost convention.

Turnover

Turnover represents the sales of meals and refreshments through the company's catering outlets, excluding VAT.

Refurbishment of branches

Refurbishment of branches involving substantial replacement of equipment fixtures and fittings and repairs to premises are written off against profits in the year in which the expenditure is incurred.

Depreciation

Depreciation has been calculated by reference to cost at rates estimated to write off the relevant assets over their expected useful lives.

The annual rates used are:

Freehold land and agricultural land) and buildings)	No depreciation provided
Woodlands and plantations)	
Freehold and long leasehold land and buildings)	2% p.a. on cost
Short leasehold property	Amortised over the unexpired period of the lease, except that the rate of amortisation, when the unexpired term of the lease is for 21 years or less, is 10% p.a. on cost.
Motor vehicles	At rates calculated to reduce to second hand market value.
Equipment furniture and fittings	At rates approximating to 10% p.a. on cost, calculated to write off costs over the anticipated economic lives of the relevant assets.
Computer	At 25% p.a. on cost.
Initial franchise fee	The cost is amortised over six years.

Stock

Stock is stated at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is fully provided for using the liability method on the excess of tax allowances received on motor vehicles, equipment and furniture and fittings over the depreciation charged thereon in the accounts.

Full provision is made in respect of the roll-over of chargeable gains on the disposal of assets.

The provision is reduced by the amount of A.C.T. recoverable.

DIRECT T.T. SUPPLIES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st DECEMBER 1985

	<u>Notes</u>	<u>1985</u>	<u>1984</u>
		£	£
Turnover		2,550,743	2,336,294
Change in stocks of food for resale		(5,811)	7,943
		<u>2,544,932</u>	<u>2,344,237</u>
Raw materials and consumables		936,075	942,837
		<u>1,608,857</u>	<u>1,401,400</u>
Staff costs	5	760,589	710,884
		<u>848,268</u>	<u>690,516</u>
Depreciation (net)		126,725	119,910
		<u>721,543</u>	<u>570,606</u>
Other operating charges		608,926	546,558
Operating profit	1	112,617	24,048
Income from fixed asset investments	6	57,264	35,840
		<u>169,881</u>	<u>59,888</u>
Interest payable	2	18,676	5,976
Profit on ordinary activities before taxation		<u>151,205</u>	<u>53,912</u>
Tax on profit on ordinary activities	4	65,955	11,658
Profit on ordinary activities after taxation		<u>85,250</u>	<u>42,254</u>
Extraordinary items	8	15,921	-
Profit for the year after taxation		<u>101,171</u>	<u>42,254</u>
Dividends	7	29,880	15,000
Retained profit transferred to reserves	17	<u>£ 71,291</u>	<u>£ 27,254</u>

HODGSON IMPEY

DIRECT T.T. SUPPLIES LIMITED

BALANCE SHEET

AT 31st DECEMBER 1985

<u>1984</u>		<u>Notes</u>	<u>1985</u>
£	£		£
	<u>Fixed Assets</u>		
8,333	Intangible assets	18	6,667
1,554,576	Tangible assets	9	1,562,085
3,790	Investments	11	3,790
	<u>Current Assets</u>		
66,497	Stocks	12	57,376
46,297	Debtors	13	75,210
5,970	Cash at bank and in hand		6,412
118,764			138,998
<u>£1,685,463</u>			<u>£1,711,540</u>
	<u>Liabilities</u>		
	Capital and reserves		
5,000	Called up share capital	16	5,000
10,234	Capital reserve	17	10,234
904,046	Profit and loss account	17	975,337
919,280			990,571
	Provisions for liabilities and charges	15	238,745
284,659			482,224
481,524	Creditors	14	
<u>£1,685,463</u>			<u>£1,711,540</u>

Florence Griffiths

Florence Griffiths

Barbara Gunn
Barbara Gunn

Directors

4th June 1986

DIRECT T.T. SUPPLIES LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31st DECEMBER 1985

	£	<u>1985</u>	£	£	<u>1984</u>	£
<u>Source of funds</u>						
Profit before tax and extraordinary items			151,205			53,912
Item not involving the movement of funds:						
Depreciation (net) and amortisation		128,391			121,578	
Total funds generated from operations		<u>£279,596</u>			<u>£175,490</u>	
<u>Application of funds</u>						
Fixed assets						
Purchases	138,616			395,359		
Realisations	(1,882)			(6,951)		
Sale of property net proceeds	<u>(25,031)</u>			<u>-</u>		
			111,703			388,408
Increase in working capital						
Debtors (decrease)/increase	(5,617)			21,674		
Creditors (increase)	(55,535)			(33,798)		
Stock (decrease)/increase	<u>(9,121)</u>			<u>10,886</u>		
			(70,273)			(1,238)
Taxation paid		56,076			7,518	
Dividends paid		<u>19,950</u>			<u>15,000</u>	
		<u>£117,456</u>			<u>£409,688</u>	
Increase/(decrease) in liquid funds during the year		<u>£162,140</u>			<u>£(234,198)</u>	

HODGSON IMPEY

DIRECT T.T. SUPPLIES LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1985

	<u>1985</u>	<u>1984</u>
	£	£
1. <u>Operating profit</u>		
Operating profit is stated after charging		
Depreciation	<u>£128,306</u>	<u>£119,910</u>
Amortisation of intangible fixed assets	<u>£1,666</u>	<u>£1,667</u>
Debenture loan written-off	<u>£ -</u>	<u>£1,000</u>
Hire of equipment	<u>£7,821</u>	<u>£8,892</u>
Directors emoluments		
As directors	78,339	78,914
As executives	32,789	32,706
	<u>£111,128</u>	<u>£111,620</u>
Auditors remuneration	<u>£5,000</u>	<u>£4,500</u>
2. <u>Interest payable</u>		
Bank overdraft	<u>£18,676</u>	<u>£5,976</u>
3. <u>Emoluments of directors and employees</u>		
Emoluments other than contributions to pension schemes		
Chairman	<u>£22,500</u>	<u>£22,500</u>
Other directors within the following scales		
£ £	<u>No.</u>	<u>No.</u>
0 5,000	4	4
5,001 10,000	-	-
10,001 15,000	-	-
15,001 20,000	2	2
4. <u>Taxation</u>	£	£
Corporation tax at 41.25%	102,576	-
Deferred tax	(60,139)	68,481
Interest on A.C.T.	175	1,090
Adjustments for prior years in respect of capital Allowances and associated companies Marginal Corporation Tax payable	<u>23,343</u>	<u>(57,913)</u>
	<u>£65,955</u>	<u>£11,658</u>

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DIRECT T.T. SUPPLIES LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31st DECEMBER 1985

5. <u>Staff numbers and costs</u>	<u>1985</u>	<u>1984</u>
	<u>No.</u>	<u>No.</u>
The average number of persons employed by the company (including executive directors) during the year was		
Selling	216	213
Administration	7	6
Total number of employees	<u>223</u>	<u>219</u>
	<u>1985</u>	<u>1984</u>
The aggregate staff costs of these persons were	£	£
Wages and salaries	680,901	635,675
Social Security costs	62,993	61,087
Other pension costs	16,695	14,122
	<u>£760,589</u>	<u>£710,884</u>
 6. <u>Income from fixed asset investments</u>		
Rents receivable less outgoings		
Farm property	13,838	11,842
Other property	42,986	23,883
Interest	353	39
Dividends	87	76
	<u>£57,264</u>	<u>£35,840</u>
 7. <u>Dividends</u>		
An interim dividend of £50.00 per ordinary share has been paid and a final dividend of £70.00 per ordinary share has been declared. Mrs F. Griffiths, Mrs B.J. Gunn, Mr A.B. Gunn and Mr J.I. Williams (and others) have waived their right to dividends totalling £570,120 leaving a dividend for the year of £29,880.		
 8. <u>Extraordinary items</u>		
Extraordinary income		
Surplus on sale of freehold agricultural property	22,531	-
Less: Corporation tax thereon	6,610	-
	<u>£15,921</u>	<u>£ -</u>

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DIRECT T.T. SUPPLIES LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1985

9. Tangible fixed assets

	Freehold farmland and buildings	Woodlands and plantations	Freehold land and buildings	Long leasehold land and buildings	Short leasehold land and buildings	Motor vehicles	Computer equipment furniture and fittings	Total
	£	£	£	£	£	£	£	£
Cost								
At 1st January 1985	79,267	11,504	748,367	24,083	176,189	77,737	1,106,434	2,223,581
Additions	3,404	430	96,841	-	3,358	11,140	23,443	138,616
Disposals	(2,500)	-	-	-	-	(8,585)	-	(11,085)
Expired leases expenditure written off	-	-	-	-	(26,619)	-	-	(26,619)
	£80,171	£11,934	£845,208	£24,083	£152,928	£80,292	£1,129,877	£2,324,493
Depreciation								
At 1st January 1985	-	-	73,582	3,371	46,678	46,087	499,287	669,005
Disposals	-	-	-	-	-	(8,284)	-	(8,284)
Expired leases expenditure written off	-	-	-	-	(26,619)	-	-	(26,619)
Provided for year	-	-	16,904	481	5,950	15,810	89,161	128,306
	£	£	£ 90,486	£ 3,852	£ 26,009	£53,613	£588,448	£762,408
Net book value								
31st December 1985	£80,171	£11,934	£754,722	£20,231	£126,919	£26,679	£541,429	£1,562,085
1st January 1985	£79,267	£11,504	£674,785	£20,712	£129,511	£31,650	£607,147	£1,554,576

DIRECT T.T. SUPPLIES LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31st DECEMBER 1985

	<u>1985</u>	<u>1984</u>
	£	£
10. <u>Future capital expenditure</u>		
Contracted for	<u>£ Nil</u>	<u>£90,000</u>
Approved but not contracted for	<u>£ Nil</u>	<u>£ Nil</u>
11. <u>Fixed assets investments</u>		
Investments listed on the Stock Exchange		
Cost	<u>£790</u>	<u>£790</u>
Market value	<u>£1,962</u>	<u>£1,950</u>
Investments other than listed, at cost	<u>£3,000</u>	<u>£3,000</u>
In the opinion of the directors the market value of investments other than listed is not less than cost.		
12. <u>Stocks</u>		
Raw materials	3,761	2,755
Goods for resale	53,615	59,425
Stationery	-	4,317
	<u>£57,376</u>	<u>£66,497</u>
13. <u>Debtors</u>		
Prepayments and accrued income	40,680	46,297
Corporation tax	34,530	-
	<u>£75,210</u>	<u>£46,297</u>
14. <u>Creditors: amounts falling due within one year</u>		
Bank overdraft	15,471	177,169
Trade creditors	141,813	90,945
Trust of R.W. Griffiths deceased	23,718	16,438
R.W. Griffiths Properties Ltd	31,441	31,441
Corporation tax	94,064	-
Advance corporation tax	12,454	9,585
Other taxes and social security	80,804	88,678
Accruals and deferred income	65,029	59,768
Proposed dividend	17,430	7,500
	<u>£482,224</u>	<u>£481,524</u>

HODGSON IMPEY

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DIRECT T.T. SUPPLIES LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31st DECEMBER 1985

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
15. <u>Provisions for liabilities and charges</u>		
Corporation tax deferred by		
Accelerated capital allowances	182,942	243,081
Roll over relief	62,922	62,922
	<u>245,864</u>	<u>306,003</u>
Advance corporation tax recoverable	7,119	21,344
	<u>£238,745</u>	<u>£284,659</u>
The provision for deferred taxation represents the full potential liability.		
16. <u>Called up share capital</u>		
	<u>Ordinary shares of £1 each</u>	
	<u>1985</u>	<u>1984</u>
Authorised	<u>£5,000</u>	<u>£5,000</u>
Allotted, called up and fully paid	<u>£5,000</u>	<u>£5,000</u>
17. <u>Reserves</u>		
	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Capital reserves		
At 31st December 1985	<u>£10,234</u>	<u>£10,234</u>
Profit and loss account		
At 1st January 1985	904,046	876,792
Retained profit for the year	71,291	27,254
At 31st December 1985	<u>£975,337</u>	<u>£904,046</u>
18. <u>Intangible assets</u>		
<u>Initial franchise fees</u>		
Cost at 31st December 1984	10,000	10,000
Amortisation brought forward	1,667	-
Amortisation for the year	1,666	1,667
Net book value at 31st December 1985	<u>£6,667</u>	<u>£8,333</u>

HODGSON IMPEY

DIRECT T.T. SUPPLIES LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31st DECEMBER 1985

19. Post balance sheet events

There were no significant post balance sheet events which the directors feel should be brought to the attention of the shareholders.

20. Contingent liabilities and financial commitments

There were no contingent liabilities or financial commitments which have not been provided for in the accounts.