

**Daintee Chocolate Confectionery Company  
(Blackpool) Limited**

**Directors' report and financial statements**

Year ended 31 December 1998

Registered number 345735



## **Directors' report and financial statements**

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## **Directors' report**

The directors present their report and the audited financial statements for the year ended 31 December 1998.

### **Principal activities**

The company is engaged in the manufacture of confectionery.

### **Review of developments**

The company's profit for the year is shown in the profit and loss account on page 5. The financial position of the company is shown in the balance sheet on page 6.

### **Year 2000 and EMU**

During the year the company has continued to position itself for the dual challenges of dealing with the Year 2000 date change and preparing for European Economic and Monetary Union (EMU).

The company gives the Year 2000 issue a high priority and is making good progress with the programme to prepare its computer systems for the date change. The majority of the work will be completed in June 1999 and appropriate contingency plans are being developed to ensure business continuity. This includes working with our suppliers and customers with the objective of seeking an uninterrupted supply of goods and services through the millennium change. The cost of Year 2000 compliance, including the cost of modifying or replacing systems or equipment directly affected by the problem, is expected to be around £190,000, of which £140,000 has already been spent and £50,000 will be incurred in the year to 31 December 1999.

Preparations are also being made to enable the company to trade in the euro currency in all European countries. Full conversion of all internal systems to the euro has been achieved in introducing Year 2000 compliant systems.

### **Dividends and transfers from reserves**

No dividend was paid during the year (*nine months ended 31 December 1997: £3,332,389*). The profit before tax for the year was £1,755,419 (*nine months ended 31 December 1997: £743,614*). The retained profit of £1,211,587 (*nine months ended 31 December 1997: Loss £2,823,418*) will be transferred to reserves.

### **Future prospects**

Market conditions continue to be very competitive. Despite this the directors consider the company well placed to develop turnover and profit.

### **Fixed assets**

Movement in fixed assets is shown in notes 11 and 12 to the financial statements.

## **Directors' report** *(continued)*

### **Directors and their interests**

Directors who held office during the year were as follows:

SC Kitt (Managing Director)  
DE Evennett FCA  
NA Beaney  
JG Moxon  
J O'Keefe  
AM Dodson ACA

No director has any interest in the shares of the company.

### **Donations**

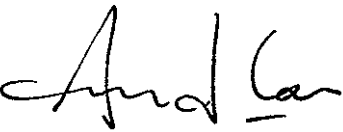
During the year the company made the following donations:

Charitable purposes	£2,717 <i>(Nine months ended 31 December 1997: £1,294)</i>
The Conservative Party	£250 <i>(Nine months ended 31 December 1997: £500)</i>

### **Auditors**

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



*AM Dodson  
Secretary*

Clifton Road  
Marton  
Blackpool  
FY4 4QB

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



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Liverpool  
L3 1QH

## **Report of the auditors to the members of Daintee Chocolate Confectionery Company (Blackpool) Limited**

We have audited the financial statements on pages 5 to 17.

### **Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

24 Dec 1998

*Chartered Accountants  
Registered Auditors*

**Profit and loss account**  
*for the year ended 31 December 1998*

	<i>Note</i>	Year ended 31 December 1998 £	9 month period ended 31 December 1997 £
<b>Turnover - continuing operations</b>	2	14,198,354	11,098,546
Cost of sales		(10,029,867)	(8,200,452)
<b>Gross profit</b>		<u>4,168,487</u>	<u>2,898,094</u>
Distribution costs		(865,515)	(745,334)
Administrative expenses		(1,466,068)	(1,309,977)
Other operating income	5	42,083	54,539
<b>Operating profit - continuing operations</b>	6	<u>1,878,987</u>	<u>897,322</u>
Other interest receivable and similar income	7	32,485	23,059
Interest payable and similar charges	8	(156,053)	(176,767)
<b>Profit on ordinary activities before taxation</b>		<u>1,755,419</u>	<u>743,614</u>
Tax on profit on ordinary activities	9	(543,832)	(234,643)
<b>Profit on ordinary activities after taxation</b>		<u>1,211,587</u>	<u>508,971</u>
Dividends on equity and non-equity shares	10	-	(3,332,389)
<b>Retained profit/(loss) for the financial year</b>		<u>1,211,587</u>	<u>(2,823,418)</u>
Retained profit brought forward		513,205	3,336,623
<b>Retained profit carried forward</b>		<u><u>1,724,792</u></u>	<u><u>513,205</u></u>

In both the current and immediately preceding accounting period the company had no recognised gains and losses other than the profit or loss for that year.

**Balance sheet**  
*at 31 December 1998*

	Note	1998 £	£	1997 £	£
<b>Fixed Assets</b>					
Tangible assets	11	3,716,782		3,201,515	
Investments	12	1,135,092		1,135,092	
			<b>4,851,874</b>		<b>4,336,607</b>
<b>Current Assets</b>					
Stocks	13	966,785		947,782	
Debtors	14	4,714,784		5,714,220	
Investments	15	2,520		2,520	
Cash at bank and in hand		101,642		406	
		<b>5,785,731</b>		<b>6,664,928</b>	
<b>Creditors: amounts falling due within one year</b>	16	<b>(7,220,678)</b>		<b>(8,147,563)</b>	
<b>Net current (liabilities)/assets</b>			<b>(1,434,947)</b>		<b>(1,482,635)</b>
<b>Total assets less current liabilities</b>			<b>3,416,927</b>		<b>2,853,972</b>
<b>Creditors: amounts falling due after more than one year</b>					
Bank loans and overdraft	17	(607,135)		(1,249,995)	
Obligations under finance leases	21	-		(42,772)	
<b>Provisions for liabilities and charges</b>	18	<b>(563,000)</b>		<b>(526,000)</b>	
			<b>2,246,792</b>		<b>1,035,205</b>
<b>Capital and reserves</b>					
Called up share capital	19	522,000		522,000	
Profit and loss account		1,724,792		513,205	
<b>Shareholders' funds</b>			<b>2,246,792</b>		<b>1,035,205</b>
<b>Attributable to equity shareholders'</b>			<b>1,996,792</b>		<b>785,205</b>
<b>Attributable to non-equity shareholders'</b>			<b>250,000</b>		<b>250,000</b>
			<b>2,246,792</b>		<b>1,035,205</b>

These financial statements were approved by the board of directors on *24 March 1999* and were signed on its behalf by:

*V. Kitt*

*SC Kitt*  
*Director*



## **Notes**

*(forming part of the financial statements)*

### **Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt by virtue of S228 of Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As 100% of the company's voting rights are controlled within the group headed by Toms Fabrikker A/S, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group.

#### ***Tangible fixed assets***

Tangible fixed assets are included in the financial statements at cost. Depreciation is provided at the following annual rates which are calculated to write off the assets over their estimated useful lives as follows:

Plant and machinery	-	12½% reducing balance
Motor vehicles	-	25% reducing balance
Fixtures and fittings	-	15% reducing balance
Computer equipment	-	20 % on cost

#### ***Investments***

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value. Those held as current assets are stated at the lower of cost and net realisable value.

#### ***Stocks***

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads.

#### ***Deferred taxation***

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

## **Notes (continued)**

### **Accounting policies (continued)**

#### **Pension costs**

Retirement benefits to senior employees and directors of the company are provided by money purchase schemes partially funded by contributions from the company. Such pension costs are charged to the profit and loss account as they are incurred. At 31 December 1998 £15,267 (31 December 1997: £7,951) was due to the pension scheme.

#### **Leases**

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Operating lease rentals are charged to income in equal annual amounts over the lease term.

#### **Foreign exchange**

Balances due in foreign currencies have been translated using the exchange rates ruling at the year end. Transactions during the year are translated at the rates ruling at the date of the transaction.

### **Turnover**

Turnover represents sales of confectionery to third parties and group companies net of VAT and trade discounts.

	Year ended 31 December 1998 £	Nine months ended 31 December 1997 £
Geographical analysis of turnover		
United Kingdom	11,187,038	8,642,611
Other European countries	1,633,398	1,153,542
USA/Canada	720,412	750,510
Other	657,506	551,883
	<hr/> 14,198,354 <hr/>	<hr/> 11,098,546 <hr/>

## Notes (continued)

### Directors' remuneration

	Year ended 31 December 1998 £	Nine months ended 31 December 1997 £
Directors' emoluments	391,786	502,875
Company contributions to money purchase pension schemes	4,441	240,671
	<u>396,227</u>	<u>743,546</u>
	No	No
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>4</u>	<u>5</u>
Number of directors who exercised share options was:	-	2
In respect of the highest paid director:		
Director's remuneration	125,600	131,104
Company contributions to money purchase pension schemes	<u>-</u>	<u>1,314</u>

### Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	Year ended 31 December 1998 No	Nine months ended 31 December 1997 No
Production	185	182
Sales and distribution	4	7
Administration	15	15
	<u>204</u>	<u>204</u>

## Notes (continued)

### Staff numbers and costs (continued)

The aggregate payroll costs of the persons were as follows:

	Year ended 31 December 1998 £	Nine months ended 31 December 1997 £
Wages and salaries	2,718,852	1,990,003
Social security costs	271,851	223,561
Other pension costs	55,348	60,858
	<hr/> 3,046,051 <hr/>	<hr/> 2,274,422 <hr/>

### Other operating income

	Year ended 31 December 1998 £	Nine months ended 31 December 1997 £
Currency gains	42,083	54,539
	<hr/>	<hr/>

### Profit on ordinary activities before taxation

	Year ended 31 December 1998 £	Nine months ended 31 December 1997 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation:		
Owned assets	289,865	241,748
Assets held under finance leases	124,177	102,766
(Profit)/loss on disposal of fixed assets	(15,814)	2,084
Operating lease charges - other	10,932	18,138
Auditors' remuneration - audit fees	24,000	22,500
- non audit fees	11,500	11,500
	<hr/>	<hr/>

**Notes (continued)**

**Other interest receivable and similar income**

	Year ended 31 December 1998 £	Nine months ended 31 December 1997 £
Interest receivable from group undertakings	27,467	22,186
Other income from listed investments	5,018	873
	<hr/> 32,485 <hr/>	<hr/> 23,059 <hr/>

**Interest payable and similar charges**

	Year ended 31 December 1998 £	Nine months ended 31 December 1997 £
Bank loans and overdrafts	132,742	132,609
Bank charges	9,086	6,598
Other interest charges	255	12,657
Finance charges payable in respect of finance leases and hire purchase contracts	13,970	24,903
	<hr/> 156,053 <hr/>	<hr/> 176,767 <hr/>

**Taxation**

	Year ended 31 December 1998 £	Nine months ended 31 December 1997 £
UK corporation tax at 31% based on the profit for the period	506,832	251,643
Deferred taxation	37,000	(17,000)
	<hr/> 543,832 <hr/>	<hr/> 234,643 <hr/>

## Notes (continued)

### Dividends

	Year ended 31 December 1998 £	Nine months ended 31 December 1997 £
<i>Paid</i>		
Equity shares:		
£1 shares ordinary shares	-	3,332,389
	<u>          </u>	<u>          </u>

### Tangible fixed assets

	Plant and machinery  £	Fixtures, fittings, tools and computer equipment  £	Motor vehicles  £	Assets under construction  £	Total  £
<i>Cost</i>					
At 1 January 1998	6,345,073	647,554	168,730	-	7,161,357
Additions	108,671	35,368	143,296	678,257	965,592
Disposals	(25,000)	-	(124,969)	-	(149,969)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 1998	6,428,744	682,922	187,057	678,257	7,976,980
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>Accumulated depreciation</i>					
At 1 January 1998	3,583,289	280,816	95,737	-	3,959,842
Charge for the year	349,127	33,175	31,740	-	414,042
Disposals	(23,553)	-	(90,133)	-	(113,686)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 1998	3,908,863	313,991	37,344	-	4,260,198
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>Net book value</i>					
At 31 December 1998	2,519,881	368,931	149,713	678,257	3,716,782
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 1997	2,761,784	366,738	72,993	-	3,201,515
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The net book value of the company's fixed assets includes £869,237 (*Nine months ended 31 December 1997: £993,414*) in respect of assets held under finance leases. Depreciation for the year on these assets was £124,177 (*Nine months ended 31 December 1997: £102,766*).

## Notes (continued)

### Investments held as fixed assets

	31 December 1998 £	31 December 1997 £
<i>At cost:</i>		
Shares in subsidiary	25,000	25,000
Loan to parent company	1,105,000	1,105,000
Other investments	5,092	5,092
	<hr/> 1,135,092 <hr/>	<hr/> 1,135,092 <hr/>

Shares in subsidiary:	Country of incorporation	Principal activity	Class and percentage of shares held
Daintee Confectionery Canada Limited	Canada	Dormant	Ordinary - 97.5%

In the opinion of the directors the value of the shares is greater than cost.

Included in other investments are investments listed on the UK Stock Exchange. These have been included at cost, the quoted market value being:

	31 December 1998 £	31 December 1997 £
<i>Listed investments</i>		
Cost	5,092	5,092
	<hr/>	<hr/>
Market value	66,557	17,669
	<hr/>	<hr/>

### Stocks

	31 December 1998 £	31 December 1997 £
Raw materials and consumables	605,459	759,130
Work in progress	43,661	38,700
Finished goods and goods for resale	317,665	149,952
	<hr/> 966,785 <hr/>	<hr/> 947,782 <hr/>

## Notes (continued)

### Debtors

	31 December 1998	31 December 1997
	£	£
Trade debtors	2,530,178	2,653,387
Amounts owed by fellow subsidiaries	2,052,082	2,817,178
Other debtors	13,896	95,695
Prepayments and accrued income	118,628	147,960
	<hr/>	<hr/>
	4,714,784	5,714,220
	<hr/> <hr/>	<hr/> <hr/>

### Investments held as current assets

	31 December 1998	31 December 1997
	£	£
Other unquoted investments	2,520	2,520
	<hr/>	<hr/>

### Creditors: Amounts falling due within one year

	31 December 1998	31 December 1997
	£	£
Bank loans and overdrafts	3,892,459	4,668,347
Trade creditors	1,070,144	1,006,162
Amounts owed to parent company	1,223,585	1,392,583
Obligations under finance leases and hire purchase contracts	42,771	268,002
Other creditors including taxation and social security	761,566	522,079
Accruals and deferred income	230,153	290,390
	<hr/>	<hr/>
	7,220,678	8,147,563
	<hr/> <hr/>	<hr/> <hr/>



## Notes (continued)

### Bank loans and overdrafts

Included within bank loans and overdrafts is a Non Revolving Base Rate Loan of £607,135 (31 December 1997: £749,995) secured by a first legal charge over freehold property of Daintee Properties Limited, a fellow subsidiary of SK Daintee Holdings Limited. This loan is repayable by instalments, interest being payable at a rate of 1.5% over Midland Bank Base Rate.

### Provisions for liabilities and charges

	Deferred taxation £
As at 1 January 1998	526,000
Charge for the year	37,000
	<hr/>
As at 31 December 1998	563,000
	<hr/> <hr/>

The amounts provided for deferred taxation and the amounts not provided are set out below:

	31 December 1998		31 December 1997
	Provided £	Unprovided £	Provided £
			Unprovided £
Difference between accumulated depreciation and amortisation and capital allowances	565,000	-	519,000
Other timing differences	(2,000)	-	7,000
	<hr/>		<hr/>
	563,000	-	526,000
	<hr/> <hr/>		<hr/> <hr/>

### Called up share capital

	31 December 1998 £	31 December 1997 £
<b>Authorised</b>		
Equity: 521,000 ordinary shares of £1 each	521,000	521,000
Non-equity: 479,000 8.4% preference shares of £1 each	479,000	479,000
	<hr/>	<hr/>
	1,000,000	1,000,000
	<hr/> <hr/>	<hr/> <hr/>
<b>Called up, allotted and fully paid</b>		
Equity: 272,000 ordinary shares of £1 each	272,000	272,000
Non-equity: 250,000 8.4% preference shares of £1 each	250,000	250,000
	<hr/>	<hr/>
	522,000	522,000
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### Called up share capital (continued)

The 8.4% cumulative preference shares of £1 each entitle the holder to receive a cumulative preference dividend at the rate of 8.4% per annum on the paid up share capital and have a right to a return of capital at either a winding up or a repayment of capital. The preference shares do not entitle the holders to any further or other participation on the profits or assets of the company, or carry any voting rights.

### Reconciliation of movements in shareholders' funds

	31 December 1998 £	31 December 1997 £
Profit for the financial period	1,211,587	508,971
Dividends	-	(3,332,389)
	<hr/>	<hr/>
Net addition to shareholders' funds	1,211,587	(2,823,418)
Opening shareholders' funds	1,035,205	3,858,623
	<hr/>	<hr/>
Closing shareholders' funds	2,246,792	1,035,205
	<hr/> <hr/>	<hr/> <hr/>

### Commitments

	31 December 1998 £	31 December 1997 £
<b><i>Obligations under finance leases</i></b>		
Minimum lease payments due:		
Within one year	42,771	274,067
Within 2 to 5 years	-	42,772
	<hr/>	<hr/>
	42,771	316,839
Less finance charges, allocated to future periods	-	(6,065)
	<hr/>	<hr/>
	42,771	310,774
	<hr/> <hr/>	<hr/> <hr/>
Due within one year	42,771	268,002
Due after more than one year	-	42,772
	<hr/>	<hr/>
	42,771	310,774
	<hr/> <hr/>	<hr/> <hr/>
<b><i>Operating lease commitments - other:</i></b>		
Leases which expire:		
within one year	10,536	2,916
within 2 to 5 years	6,840	6,216
	<hr/>	<hr/>
	17,376	9,132
	<hr/> <hr/>	<hr/> <hr/>

## **Notes** *(continued)*

### **Contingent liabilities**

There is a contingent liability in respect of an unlimited multi-lateral guarantee given by the company to the bank in respect of other group companies. At 31 December 1998 the relevant borrowings amounted to £4,499,594 (*Nine months ended 31 December 1997: £Nil*). The company has also given an unlimited cross company guarantee in favour of SK Daintee Holdings Limited.

### **Related party disclosures**

The company is controlled by SK Daintee Holdings Limited. The ultimate controlling party is Toms Fabrikker A/S, incorporated in Denmark.

### **Ultimate parent company and parent undertaking of larger group of which the company is a member**

The company is a subsidiary undertaking of Toms Fabrikker A/S incorporated in Denmark.

The largest group in which the results of the company are consolidated is that headed by Toms Fabrikker A/S, incorporated in Denmark. No other group accounts include the results of the company.