

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

**Directors' report and financial
statements**

Registered number 345735

Year ended 31 December 1999



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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 1999.

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.

The Company gives the Year 2000 issue a high priority and has implemented systems to ensure any issues arising from the date change are promptly brought to the attention of management and appropriate action taken. As yet there has been no material disruption to systems. The cost of Year 2000 compliance, including the cost of modifying or replacing systems or equipment directly affected by this problem is expected to be negligible, since it has been covered by the normal programme of upgrades. Preparations have also been 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

The directors propose an ordinary dividend of £272,000 (£1 per share) (*year ended 31 December 1998: £Nil*). The profit before tax for the year was £1,013,916 (*year ended 31 December 1998: £1,755,419*). The retained profit of £368,393 (*year ended 31 December 1998: Profit £1,211,587*) 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 (Resigned 1 December 1999)
NA Beaney
JG Moxon
J O'Keefe
AM Dodson ACA

No director has any interest in the shares of the company. The interests of SC Kitt are disclosed in the directors' report of SK Daintee Holdings Limited

Donations

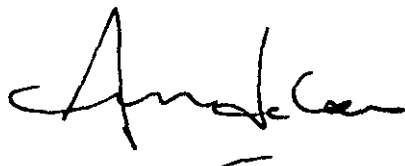
During the year the company made the following donations:

Charitable purposes	£1,614 (Year ended 31 December 1998: £2,717)
The Conservative Party	£250 (Year ended 31 December 1998: £250)

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

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Chartered Accountants
Registered Auditors*

17th February 2000

Profit and loss account
for the year ended 31 December 1999

	<i>Note</i>	31 December 1999 £	31 December 1998 £
Turnover - continuing operations	2	13,969,242	14,198,354
Cost of sales		(10,311,638)	(10,029,867)
Gross profit		3,657,604	4,168,487
Distribution costs		(1,005,886)	(865,515)
Administrative expenses		(1,726,700)	(1,466,068)
Other operating income	5	149,767	42,083
Operating profit - continuing operations	6	1,074,785	1,878,987
Other interest receivable and similar income	7	27,740	32,485
Interest payable and similar charges	8	(88,609)	(156,053)
Profit on ordinary activities before taxation		1,013,916	1,755,419
Tax on profit on ordinary activities	9	(373,523)	(543,832)
Profit on ordinary activities after taxation		640,393	1,211,587
Dividends on equity and non-equity shares	10	(272,000)	-
Retained profit for the financial year		368,393	1,211,587
Retained profit brought forward		1,724,792	513,205
Retained profit carried forward		2,093,185	1,724,792

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 1999

	Note	1999	1998
		£	£
Fixed Assets			
Tangible assets	11	3,871,695	3,716,782
Investments	12	1,135,092	1,135,092
		<u>5,006,787</u>	<u>4,851,874</u>
Current Assets			
Stocks	13	920,932	966,785
Debtors	14	4,604,579	4,714,784
Investments	15	2,520	2,520
Cash at bank and in hand		615	101,642
		<u>5,528,646</u>	<u>5,785,731</u>
Creditors: amounts falling due within one year	16	<u>(6,842,973)</u>	<u>(7,220,678)</u>
Net current liabilities		<u>(1,314,327)</u>	<u>(1,434,947)</u>
Total assets less current liabilities		<u>3,692,460</u>	<u>3,416,927</u>
Creditors: amounts falling due after more than one year			
Bank loans and overdraft	17	(464,275)	(607,135)
Provisions for liabilities and charges	18	(613,000)	(563,000)
		<u>2,615,185</u>	<u>2,246,792</u>
Capital and reserves			
Called up share capital	19	522,000	522,000
Profit and loss account		2,093,185	1,724,792
Shareholders' funds	20	<u>2,615,185</u>	<u>2,246,792</u>
Attributable to equity shareholders'		<u>2,365,185</u>	<u>1,996,792</u>
Attributable to non-equity shareholders'		<u>250,000</u>	<u>250,000</u>
		<u>2,615,185</u>	<u>2,246,792</u>

These financial statements were approved by the board of directors on 17 February 2000 and were signed on its behalf by:



SC Kitt
Director

Notes

(forming part of the financial statements)

1 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:

Freehold buildings	-	2% straight line
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)

1 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 1999 £Nil (31 December 1998: £15,267) 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.

2 Turnover

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

	31 December 1999 £	31 December 1998 £
<i>Geographical analysis of turnover</i>		
United Kingdom	11,396,734	11,187,038
Other European countries	1,698,161	1,633,398
USA/Canada	590,222	720,412
Other	284,125	657,506
	<hr/>	<hr/>
	13,969,242	14,198,354
	<hr/>	<hr/>

Notes (continued)

3 Directors' remuneration

	31 December 1999 £	31 December 1998 £
Directors' emoluments	397,430	391,786
Company contributions to money purchase pension schemes	4,470	4,441
	<u>401,900</u>	<u>396,227</u>
	No	No
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>4</u>	<u>4</u>
Number of directors who exercised share options was:	-	-
In respect of the highest paid director:		
Director's remuneration	124,820	125,600
Company contributions to money purchase pension schemes	<u>-</u>	<u>-</u>

4 Staff numbers and costs

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

	31 December 1999 No	31 December 1998 No
Production	200	185
Sales and distribution	5	4
Administration	15	15
	<u>220</u>	<u>204</u>

Notes (continued)

4 Staff numbers and costs (continued)

The aggregate payroll costs of the persons were as follows:

	31 December 1999	31 December 1998
	£	£
Wages and salaries	2,737,398	2,718,852
Social security costs	270,773	271,851
Other pension costs	60,792	55,348
	<u>3,068,963</u>	<u>3,046,051</u>

5 Other operating income

	31 December 1999	31 December 1998
	£	£
Insurance claim	55,000	-
Commissions	67,948	-
Currency gains	26,819	42,083
	<u>149,767</u>	<u>42,083</u>

6 Profit on ordinary activities before taxation

	31 December 1999	31 December 1998
	£	£
Profit on ordinary activities before taxation is stated after charging:		
Depreciation:		
Owned assets	373,115	289,865
Assets held under finance leases	108,654	124,177
Loss/(profit) on disposal of fixed assets	3,168	(15,814)
Operating lease charges - other	10,536	10,932
Auditors' remuneration - audit fees	24,000	24,000
- non audit fees	11,500	11,500
Provision against fellow subsidiary debtor balance	128,908	-
	<u>659,881</u>	<u>444,660</u>

Notes (continued)

7 Other interest receivable and similar income

	31 December 1999 £	31 December 1998 £
Interest receivable from group undertakings	23,750	27,467
Other income from listed investments	3,990	5,018
	<u>27,740</u>	<u>32,485</u>

8 Interest payable and similar charges

	31 December 1999 £	31 December 1998 £
Bank loans and overdrafts	78,482	132,742
Bank charges	8,761	9,086
Other interest charges	12	255
Finance charges payable in respect of finance leases and hire purchase contracts	1,354	13,970
	<u>88,609</u>	<u>156,053</u>

9 Taxation

	31 December 1999 £	31 December 1998 £
UK corporation tax at 31% based on the profit for the year	323,523	506,832
Deferred taxation	50,000	37,000
	<u>373,523</u>	<u>543,832</u>

Notes (continued)

10 Dividends

	31 December 1999 £	31 December 1998 £
Proposed:		
£1 shares ordinary shares	272,000	-

11 Tangible fixed assets

	Land & Buildings	Plant & machinery	Fixtures, fittings, tools and computer equipment	Motor vehicles	Assets under construction	Total
	£	£	£	£	£	£
<i>Cost</i>						
At 1 January 1999	-	6,428,744	682,922	187,057	678,257	7,976,980
Additions	-	129,416	239,780	78,698	199,956	647,850
Transfers	856,363	-	-	-	(856,363)	-
Disposals	-	-	-	(27,650)	-	(27,650)
At 31 December 1999	856,363	6,558,160	922,702	238,105	21,850	8,597,180
<i>Accumulated depreciation</i>						
At 1 January 1999	-	3,908,863	313,991	37,344	-	4,260,198
Charge for the year	3,456	331,195	96,212	50,906	-	481,769
Disposals	-	-	-	(16,482)	-	(16,482)
At 31 December 1999	3,456	4,240,058	410,203	71,768	-	4,725,485
<i>Net book value</i>						
At 31 December 1999	852,907	2,318,102	512,499	166,337	21,850	3,871,695
At 31 December 1998	-	2,519,881	368,931	149,713	678,257	3,716,782

The net book value of the company's fixed assets includes £760,583 (*Year ended 31 December 1998: £869,237*) in respect of assets held under finance leases. Depreciation for the year on these assets was £108,654 (*Year ended 31 December 1998: £124,177*).

Notes (continued)

12 Investments held as fixed assets

	31 December 1999 £	31 December 1998 £
<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
	<u>1,135,092</u>	<u>1,135,092</u>

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.

Other investments comprise investments listed on the UK Stock Exchange and are stated at cost (market value £24,907 (1998: £13,311)).

	31 December 1999 £	31 December 1998 £
<i>Listed investments</i>		
Cost	5,092	5,092
	<u>5,092</u>	<u>5,092</u>
Market value	24,907	13,311
	<u>24,907</u>	<u>13,311</u>

13 Stocks

	31 December 1999 £	31 December 1998 £
Raw materials and consumables	628,203	605,459
Work in progress	39,921	43,661
Finished goods and goods for resale	252,808	317,665
	<u>920,932</u>	<u>966,785</u>

Notes (continued)

14 Debtors

	31 December 1999 £	31 December 1998 £
Trade debtors	2,587,470	2,530,178
Amounts owed by fellow subsidiaries	1,782,186	2,052,082
Other debtors	23,447	13,896
Prepayments and accrued income	211,476	118,628
	<u>4,604,579</u>	<u>4,714,784</u>

15 Investments held as current assets

	31 December 1999 £	31 December 1998 £
Other unquoted investments	2,520	2,520
	<u>2,520</u>	<u>2,520</u>

16 Creditors: Amounts falling due within one year

	31 December 1999 £	31 December 1998 £
Bank loans and overdrafts	3,303,548	3,892,459
Trade creditors	996,520	1,070,144
Amounts owed to parent company	1,308,323	1,223,585
Obligations under finance leases and hire purchase contracts	-	42,771
Other creditors including taxation and social security	776,873	761,566
Accruals and deferred income	185,709	230,153
Proposed dividend	272,000	-
	<u>6,842,973</u>	<u>7,220,678</u>

Notes (continued)

17 Bank loans and overdrafts

Included within bank loans and overdrafts is a Non Revolving Base Rate Loan of £464,275 (31 December 1998: £607,135) 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.

18 Provisions for liabilities and charges

	Deferred taxation £
As at 1 January 1999	563,000
Charge for the year	50,000
	<hr/>
As at 31 December 1999	613,000
	<hr/> <hr/>

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

	31 December 1999		31 December 1998	
	Provided £	Unprovided £	Provided £	Unprovided £
Difference between accumulated depreciation and amortisation and capital allowances	613,000	-	565,000	-
Other timing differences	-	-	(2,000)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	613,000	-	563,000	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

19 Called up share capital

	31 December 1999 £	31 December 1998 £
Authorised		
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/>
Called up, allotted and fully paid		
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)

19 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.

20 Reconciliation of movements in shareholders' funds

	31 December 1999 £	31 December 1998 £
Profit for the financial period	640,393	1,211,587
Dividends	(272,000)	-
Net addition to shareholders' funds	368,393	1,211,587
Opening shareholders' funds	2,246,792	1,035,205
Closing shareholders' funds	2,615,185	2,246,792

21 Commitments

	31 December 1999 £	31 December 1998 £
Obligations under finance leases		
Minimum lease payments due:		
Within one year	-	42,771
Within 2 to 5 years	-	-
	-	42,771
Less finance charges, allocated to future periods	-	-
	-	42,771
Due within one year	-	42,771
Due after more than one year	-	-
	-	42,771
Operating lease commitments - other:		
Leases which expire:		
within one year	4,320	10,536
within 2 to 5 years	6,840	6,840
	11,160	17,376

Notes *(continued)*

22 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 1999 the relevant borrowings amounted to £3,789,730 (*Year ended 31 December 1998: £4,499,594*). The company has also given an unlimited cross company guarantee in favour of SK Daintee Holdings Limited.

23 Related party disclosures

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

24 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.