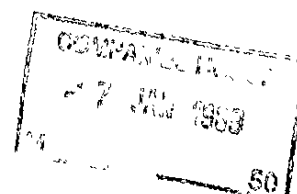


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DIRECTORS' REPORT AND ACCOUNTS

MORISIS PRODUCTS LIMITED

31 MARCH 1988



## MORISIS PRODUCTS LIMITED

## DIRECTORS' REPORT

The directors present their report and the audited accounts for the period ended 31 March 1988.

## DIRECTORS

G Bar  
 T G Jones  
 S J Moruzzi  
 T C Moruzzi  
 M Rooney  
 D R Lewis (appointed 23 April 1987)

## PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS

Under an agreement dated 6 August 1987 the business and net assets of the company were hived down to Entwrap Limited the purchase consideration being based upon net asset value at 31 July 1987. The entire issued share capital of Entwrap Limited was then purchased by Hillsdown Holdings PLC by an agreement dated 6 August 1987.

Accordingly, the company ceased to trade on 31 July 1987. Until that date the principal activity of the company was the manufacture of ice cream.

## RESULTS AND DIVIDENDS

The deficit for the period before extraordinary items was £291,107. Accordingly, no dividend is proposed.

## DIRECTORS INTERESTS

The directors beneficial interests in the shares of the company are as follows:

	31 March 1988 Ordinary	1 October 1985 Ordinary
G Bar	-	-
T G Jones	-	-
S J Moruzzi	4,500	4,500
T C Moruzzi	4,500	4,500
M Rooney	-	-
D R Lewis	-	-

MORISIS PRODUCTS LIMITED

DIRECTORS' REPORT - continued

PREFERENCE DIVIDEND

Following the passing of the preference dividends due for payment on 1 November 1986, in accordance with the rights attaching to the preference shares, the holders of these preference shares became entitled to voting rights from that date. Accordingly the company became a subsidiary of the Milk Marketing Board with effect from 1 November 1986.

AUDITORS

Ernst & Whinney have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the annual general meeting.

By order of the board

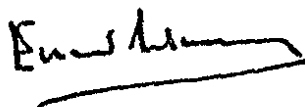
  
JN GILDER  
15 December 1988

**REPORT OF THE AUDITORS TO THE MEMBERS OF MORISIS PRODUCTS LIMITED**

We have audited the accounts set out on pages 4 to 14 in accordance with approved auditing standards. The accounts have been prepared under the historical cost convention.

We draw attention to note 6(b), in which it is stated that the amounts receivable on the sale of the business and net assets are not yet agreed and maybe the subject of arbitration. This may vary the amounts receivable and the composition of the extraordinary item but the net state of affairs of the company at 31 March 1988 will not vary.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 March 1988 and of the result and source and application of funds for the period then ended and comply with the Companies Act 1985.



Birmingham

15 December 1988

## MORISIS PRODUCTS LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD FROM 1 OCTOBER 1986 TO 31 MARCH 1988

		1988 £	Year to 30 September 1986 £
	Note		
TURNOVER	2	1,961,590	1,743,072
Cost of sales		<u>1,772,151</u>	<u>1,643,373</u>
GROSS PROFIT		189,439	99,699
Distribution costs		227,245	210,478
Administrative expenses		<u>194,335</u>	<u>182,850</u>
OPERATING LOSS	3	(232,141)	(293,629)
Interest payable and similar charges	5	<u>58,956</u>	<u>88,245</u>
LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION		(291,107)	(381,874)
Extraordinary item	6	<u>585,466</u>	<u>-</u>
RETAINED PROFIT/(LOSS)		<u>£294,359</u>	<u>£(381,874)</u>

Movements on the retained profit and loss account are set out in note 13.


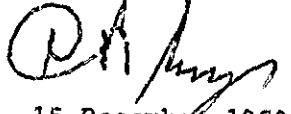
MORISIS PRODUCTS LIMITED

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BALANCE SHEET - 31 MARCH 1988

Ernst & Whinney

	Note	1988 £	30 September 1986 £
<b>FIXED ASSETS</b>			
Tangible assets	7	-	1,740,501
<b>CURRENT ASSETS</b>			
Stocks	8	-	377,985
Debtors	9	141,572	373,825
Cash at bank and in hand		-	150
		<u>141,572</u>	<u>751,960</u>
<b>CREDITORS - amounts falling due within one year</b>			
Bank loans and overdrafts		-	482,263
Trade and other creditors	10	141,572	488,177
		<u>141,572</u>	<u>970,440</u>
<b>NET CURRENT LIABILITIES</b>		-	(218,480)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		-	<u>1,522,021</u>
<b>CREDITORS - amounts falling due after more than one year</b>			
	11	-	1,816,380
<b>TOTAL ASSETS LESS LIABILITIES</b>		£-	<u>£(294,359)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	569,605	569,605
Profit and loss account - Deficit	13	(569,605)	(863,964)
		<u>£-</u>	<u>£(294,359)</u>

  
  
 )  
 ) Directors  
 15 December 1988

## MORISIS PRODUCTS LIMITED

SOURCE AND APPLICATION OF FUNDS  
FOR THE PERIOD FROM 1 OCTOBER 1986 TO 31 MARCH 1988

	1988		Year ended 30 September 1986
	£	£	£
<b>FUNDS GENERATED FROM OPERATIONS</b>			
Loss on ordinary activities before taxation		(291,107)	(381,874)
Adjustment for items not involving the movement of funds:			
Depreciation		162,583	182,179
		<u>(128,524)</u>	<u>(199,695)</u>
<b>FUNDS FROM OTHER SOURCES</b>			
Book value of sale of tangible fixed assets	5,967		1,467
Creditors falling due after more than one year	1,269,671		869,269
Disposal of business and net assets	2,090,920		-
		<u>3,366,558</u>	<u>870,736</u>
		3,238,034	671,041
<b>APPLICATION OF FUNDS</b>			
Purchase of tangible fixed assets	123,994		629,168
Repayment of loan to the Milk Marketing Board	2,090,920		-
		<u>2,214,914</u>	<u>629,168</u>
<b>INCREASE IN WORKING CAPITAL</b>		<u>£1,023,120</u>	<u>£41,873</u>
<b>Arising from movements in:</b>			
Stocks		246,960	125,903
Debtors		288,394	(205,228)
Trade and other creditors		5,153	66,328
Liquid funds		482,613	54,870
		<u>£1,023,120</u>	<u>£41,873</u>

Note: The disposal of the business and net assets of the company to a third party is analysed as follows:

Fixed assets	1,695,945
Stocks	624,945
Debtors	662,219
Cash in hand	500
Creditors	(892,689)
	<u>£2,090,920</u>

As explained more fully in Note 6(b) the amounts received on the disposal of the business and net assets may be subject to variation. Any variation to this amount will result in a corresponding variation in the amount of the loan to the Milk Marketing Board.

MORISIS PRODUCTS LIMITED

NOTES ON THE ACCOUNTS - 31 MARCH 1988

1 ACCOUNTING POLICIES

a) Accounting convention

The accounts are prepared under the historical cost convention.

b) Depreciation

Depreciation is provided on tangible fixed assets, with the exception of freehold land, at rates calculated to write off the cost less estimated residual value over their estimated useful lives as follows:

Freehold buildings	-	25 years
Plant and machinery	-	10 years
Fixtures and fittings	-	10 years
Motor vehicles	-	4 years

c) Leased assets

The company enters into operating and finance leases.

Assets held under finance leases are reported at cost, with an equivalent liability categorised as appropriate under creditors due within or after one year. The assets are depreciated over the shorter of the lease or their useful economic life. Lease payments are apportioned between finance charges and the reduction of the liability. The finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of charge on the outstanding balance of the liability.

Assets held under operating leases are not reported in the balance sheet. The rentals under these leases are charged to the profit and loss account as they fall due.

d) Stocks

Stocks are valued at the lower of cost, on a first-in, first-out basis and net realisable value. Cost comprises materials, direct labour and an appropriate proportion of production overheads.

e) Deferred taxation

Provision is made for deferred taxation, using the liability method, on short term timing differences and where it cannot be demonstrated, with reasonable probability that the tax deferred will continue to be deferred for the foreseeable future.



## MORISIS PRODUCTS LIMITED

## NOTES ON THE ACCOUNTS - 31 MARCH 1988

## 2 TURNOVER

Turnover comprises amounts invoiced to external customers, excluding VAT and trade discounts.

Turnover all relates to the company's principal activity of ice cream manufacture and is geographically analysed as:

	Eighteen months ended 31 March 1988 £	Year ended 30 September 1986 £
United Kingdom	1,670,439	1,544,182
Europe	291,151	198,890
	<hr/>	<hr/>
	£1,961,590	£1,743,072
	<hr/>	<hr/>

## 3 OPERATING LOSS

Operating loss is stated after charging:

	1988 £	1986 £
Depreciation	162,583	182,179
Hire of plant and machinery	10,882	14,117
Auditors' remuneration	14,000	9,000
Staff costs (Note 4)	386,977	421,040

## 4 STAFF COSTS

	1988 £	1986 £
(a) Wages and salaries	353,245	384,831
Social security costs	29,463	30,533
Other pension costs	4,269	5,676
	<hr/>	<hr/>
	£386,977	£421,040
	<hr/>	<hr/>

This includes remuneration paid to the directors of £23,718 (1986 £66,488) - see (c) below.

## MORISIS PRODUCTS LIMITED

## NOTES ON THE ACCOUNTS - 31 MARCH 1988

## 4 STAFF COSTS - continued

- (b) The average number of persons employed by the company, including directors, during the part of the period when the company traded, was as follows:

	1988 Number	1986 Number
Production	76	49
Distribution	-	4
Sales	6	5
Administration	7	7
	-	-
	89	65
	-	-

(c) Emoluments of directors	Eighteen months ended 31 March 1988	Year ended 30 September 1986
	£	£
Fees	-	-
Remuneration, including pension contributions	19,551	46,488
Compensation for loss of office	-	16,250
Pension of former director	4,167	1,250
Ex-gratia payment	-	2,500
	<u>£23,718</u>	<u>£66,488</u>

The emoluments, excluding pension contributions, are detailed as follows:

	1988 £	1986 £
Chairman	Nil	9,002
Highest paid director	18,030	18,393

	Number of Directors	
	1988	1986
Other directors in the scale		
Not more than £5,000	4	4
£5,001 to £10,000	-	-
£10,001 to £20,000	-	1

## MORISIS PRODUCTS

## NOTES ON THE ACCOUNTS - 31 MARCH 1988

## 5 INTEREST PAYABLE AND SIMILAR CHARGES

	Eighteen months ended 31 March 1988 £	Year ended 30 September 1986 £
Bank loans and overdrafts repayable within five years	35,845	58,499
On all other loans	2,729	5,906
Finance lease charges	20,392	23,840
	<u>£58,966</u>	<u>£88,245</u>

## 6 EXTRAORDINARY ITEM

	1988 £	1986 £
(a) Waiver of loan from the Milk Marketing Board	585,466	-

Under the terms of the hivedown agreement for transfer and subsequent sale of the business and net assets of the company, the total amount of consideration received was to be utilised in full and final settlement of the amount due to the Milk Marketing Board. Thereby the balance of the amount due to the Milk Marketing Board has been formally waived by a Deed of release dated 30 July 1987.

- (b) The total amount of consideration receivable for the transfer and subsequent sale of the business and the net assets under the hivedown agreement is to be derived from completion accounts. As the amounts shown in the completion accounts are not yet agreed and may be the subject of arbitration, the amounts receivable shown in the accounts may be varied. Any adjustment would give rise to an extraordinary loss or profit on sale and correspondingly vary the balance of the loan from the Milk Marketing Board which is waived. Therefore such a variation may vary the amounts receivable but the extraordinary item will in total remain the same and the net state of the affairs of the company at 31 March 1988 will remain as stated.

## 7 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery and fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 30 September 1986	655,370	1,478,103	75,822	2,209,295
Additions	2,250	119,114	2,630	123,994
Disposals	(657,620)	(1,597,217)	(78,453)	(2,333,289)
At 31 March 1988	-	-	-	-
Depreciation				
At 30 September 1986	28,620	395,593	44,581	468,794
Charge for period	18,912	128,659	15,012	162,583
Relating to disposals	(47,532)	(524,252)	(59,593)	(631,377)
At 31 March 1988	-	-	-	-
Net book value at 31 March 1988	£-	£-	£-	£-
Net book amount at 30 September 1986	£626,750	£1,082,510	£31,241	£1,740,501

Ernst &amp; Whinney

## 8 STOCKS

	31 March 1988 £	30 September 1986 £
Raw materials and consumables	-	259,855
Finished goods and goods for resale	-	118,130
	£-	£377,985

## MORISIS PRODUCTS

## NOTES ON THE ACCOUNTS - 31 MARCH 1988

## 9 DEBTORS

	31 March 1988 £	30 September 1986 £
Amounts falling due within one year -		
Trade debtors	-	320,292
Quasi-loans to directors	-	6,709
Prepayments and accrued income	-	24,309
Other debtors	141,572	22,515
	<hr/>	<hr/>
	£141,572	£373,825
	<hr/>	<hr/>

## 10 TRADE AND OTHER CREDITORS

	1988 £	1986 £
Trade creditors	-	247,184
Social security and other taxation	-	37,541
Accruals and deferred income	-	34,595
Hire purchase and lease liabilities	-	91,130
Amount owed to Dairy Crest Limited	141,572	41,477
Other creditors	-	36,250
	<hr/>	<hr/>
	£141,572	£488,177
	<hr/>	<hr/>

## 11 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:

- (a) The following amounts are included in creditors falling due after more than one year:

	1988 £	1986 £
Amount owed to the Milk Marketing Board	-	1,325,630
Hire purchase liabilities	-	11,775
Lease liabilities	-	478,975
	<hr/>	<hr/>
	£-	£1,816,380
	<hr/>	<hr/>

- (b) The amount owed to the Milk Marketing Board comprised a loan. The loan bore interest at the same rate as that charged on the company's overdraft facilities. The Milk Marketing Board waived its right to charge interest on the loan as long as the balance on the company's profit and loss account was not sufficient to meet the charges.

# MORISIS PRODUCTS LIMITED

## NOTES ON THE ACCOUNTS - 31 MARCH 1988

(c) Hire purchase and lease liabilities are repayable as follows:

	31 March 1988 £	30 September 1986 £
Within 1 year		
Hire purchase	-	16,617
Lease	-	74,513
Within 2 - 5 years:		
Hire purchase	-	11,775
Lease	-	287,180
After 5 years:		
Hire purchase	-	-
Lease	-	191,795
	<u>£-</u>	<u>£581,880</u>

### 12 CALLED-UP SHARE CAPITAL

(a) The authorised share capital of the company is £1,000,000 (1986 £1,000,000) divided into shares of £1 each.

(b)

	Issued and fully paid	
	31 March 1988 £	30 September 1986 £
Ordinary shares of £1 each	99,605	35,605
10% cumulative convertible preference shares of £1 each	-	64,000
10% cumulative redeemable preference shares of £1 each	470,000	470,000
	<u>£569,605</u>	<u>£569,605</u>

During the period the convertible preference shares at the option of the shareholder were converted into ordinary shares at the rate of £1 nominal of ordinary shares for each £1 nominal of preference shares.

### 13 PROFIT AND LOSS ACCOUNT

	£
Deficit at 30 September 1986	863,964
Retained profit for the period	(294,359)
	<u>£569,605</u>
Deficit at 31 March 1988	<u>£569,605</u>

## MORISIS PRODUCTS LIMITED

NOTES ON THE ACCOUNTS - 31 MARCH 1988

## 14 HOLDING COMPANY

With effect from 1 November 1986 the company became a subsidiary of the Milk Marketing Board, which is incorporated under the Milk Marketing Scheme 1933 as amended. On 22 September 1987, the Milk Marketing Board sold its beneficial interest in the company to its wholly owned subsidiary Dairy Crest Limited with effect from 1 April 1987.