

EUROPA FOODS LIMITED
FINANCIAL STATEMENTS
27 SEPTEMBER 2003

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EUROPA FOODS LIMITED

FINANCIAL STATEMENTS

52 WEEKS ENDED 27 SEPTEMBER 2003

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EUROPA FOODS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors	N M Patel J M Patel M M Patel
Company secretary	A G Patel
Registered office	Europa House Northolt Industrial Estate Rowdell Road Middlesex UB5 6AG
Auditors	Blick Rothenberg Chartered Accountants and Registered Auditors 12 York Gate Regent's Park London, NW1 4QS
Bankers	Barclays Bank London Corporate Banking Group 1st Floor 54 Lombard Street London EC3V 9EX

EUROPA FOODS LIMITED

DIRECTORS' REPORT

52 WEEKS ENDED 27 SEPTEMBER 2003

The directors present their report and the financial statements of the company for the 52 weeks ended 27 September 2003.

Principal activity and business review

The principal activity of the company during the period continued to be that of retail grocers.

The results for the period and the financial position at the period end were considered satisfactory by the directors who expect growth in the foreseeable future.

Results and dividends

The results for the 52 weeks and the company's financial position at the end of the 52 weeks are shown in the attached financial statements.

The directors have recommended the following dividends:

	2003 £	2002 £
Proposed dividends on ordinary shares	<u>470,000</u>	<u>245,000</u>

It is proposed to transfer the retained profit for the 52 weeks of £35,749 to reserves.

Disabled employees

Disabled persons are employed by the company where they appear to be suited to a particular position. The aptitude and abilities of disabled persons are more easily met in certain aspects of the company's business and every effort is made to ensure that they are given full and fair consideration.

Employee involvement

Within the bounds of commercial confidentiality, information is disseminated to all members of staff about matters that affect the progress of the company and are of interest and concern to them as employees.

The directors and their interests in shares of the company

The directors who served the company during the 52 weeks were as follows:

N M Patel
J M Patel
M M Patel

The directors' interests in the share capital of the parent undertaking are shown in the financial statements of that company.

Fixed assets

The movements in fixed assets are set out in the notes to the financial statements.

EUROPA FOODS LIMITED

DIRECTORS' REPORT *(continued)*

52 WEEKS ENDED 27 SEPTEMBER 2003

Market value of land and buildings

The company's investment properties are shown at their open market value, based on directors' valuation.

In respect of the company's other properties, the directors are of the opinion that the market values are in excess of the values shown in the financial statements, but they do not consider that the cost of a professional valuation would be justified at present.

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 the 52 weeks then ended.

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; and
- 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. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Charitable contributions

During the year the company made charitable donations of £64,985 (2002: £63,512).

Auditors

In accordance with section 386 of the Companies Act 1985, the company has passed a written resolution dispensing with the annual appointment of auditors.

Signed on behalf of the directors



J M PATEL
Director

2 April 2004

EUROPA FOODS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

52 WEEKS ENDED 27 SEPTEMBER 2003

We have audited the financial statements on pages 6 to 18 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 8 to 9.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and the auditors

As described on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 1985. 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.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

EUROPA FOODS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS *(continued)*

52 WEEKS ENDED 27 SEPTEMBER 2003

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 27 September 2003 and of the profit of the company for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

12 York Gate
Regent's Park
London, NW1 4QS


BLICK ROTHENBERG
Chartered Accountants and
Registered Auditors

2 April 2004

EUROPA FOODS LIMITED

PROFIT AND LOSS ACCOUNT

52 WEEKS ENDED 27 SEPTEMBER 2003

	Note	£	2003 £	£	2002 £
Turnover					
Continuing operations		23,732,854		22,431,924	
Acquisitions		—		3,093,933	
	2		23,732,854		25,525,857
Net operating expenses	3		(22,755,281)		(24,787,398)
Operating profit	5		977,573		738,459
Income from other fixed asset investments	6		—		75,000
Interest receivable			28,973		26,964
Interest payable and similar charges	7		(212,088)		(368,580)
Profit on ordinary activities before taxation			794,458		471,843
Tax on profit on ordinary activities	8		(288,709)		(212,622)
Profit on ordinary activities after taxation			505,749		259,221
Dividends	9		(470,000)		(245,000)
Retained profit for the financial 52 weeks			35,749		14,221

The company has no recognised gains or losses other than the results for the 52 weeks as set out above.

EUROPA FOODS LIMITED


BALANCE SHEET

27 SEPTEMBER 2003

	Note	£	2003 £	£	2002 £
Fixed assets					
Intangible assets	10		500,000		562,500
Tangible assets	11		8,693,968		8,774,849
Investments	12		21,362		21,362
			<u>9,215,330</u>		<u>9,358,711</u>
Current assets					
Stocks	13	863,581		969,951	
Debtors	14	7,457,816		8,846,935	
Investments	15	709		8,209	
Cash at bank		<u>1,698,867</u>		<u>259,153</u>	
		10,020,973		10,084,248	
Creditors: Amounts falling due within one year	16	<u>(16,540,237)</u>		<u>(16,167,855)</u>	
Net current liabilities			<u>(6,519,264)</u>		<u>(6,083,607)</u>
Total assets less current liabilities			<u>2,696,066</u>		<u>3,275,104</u>
Creditors: Amounts falling due after more than one year	17		<u>(2,168,876)</u>		<u>(2,783,663)</u>
			<u>527,190</u>		<u>491,441</u>
Capital and reserves					
Called-up share capital	22		100,000		100,000
Profit and loss account	23		<u>427,190</u>		<u>391,441</u>
Shareholders' funds - equity	24		<u>527,190</u>		<u>491,441</u>

These financial statements were approved by the board of directors on 2 April 2004 and are signed on its behalf by:


J M PATEL
Director


M M PATEL
Director

EUROPA FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 WEEKS ENDED 27 SEPTEMBER 2003

1. Accounting policies

1.1 Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

1.2 Turnover

Turnover represents amounts receivable for goods and services, net of value added tax.

1.3 Goodwill

Goodwill is written off to the profit and loss account in equal annual instalments over its estimated useful economic life of ten years.

1.4 Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold buildings	- 2% straight line
Short leasehold properties	- Over the period of the lease
Fixtures, fittings and equipment	- 15-25% straight line
Motor vehicles	- 25% straight line

Freehold land is not depreciated.

1.5 Investment properties

Investment properties are shown at their open market value. Any surplus or deficit arising from the annual revaluation will be transferred to a revaluation reserve unless a deficit, or its reversal, on an individual investment property is expected to be permanent, in which case it will be recognised in the profit and loss account for the year.

This is in accordance with SSAP 19, "Accounting for Investment Properties" which, unlike Schedule 4 to the Companies Act 1985, does not require depreciation of investment properties. Investment properties are held for their investment potential and not for use by the company and so their current value is of prime importance. This departure from the provisions of the Act is required in order to give a true and fair view.

1.6 Stocks

Stocks in stores are valued by professional stocktakers at retail prices adjusted to the lower of cost and net realisable value.

1.7 Leases

Operating lease rentals are charged to the profit and loss account in equal instalments over the lease term.

1.8 Pension costs

The pension cost charge represents the contributions payable by the company to the employee's personal pension schemes.

EUROPA FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 WEEKS ENDED 27 SEPTEMBER 2003

1. Accounting policies *(continued)*

1.9 Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1.10 Group financial statements

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group financial statements as it is exempt from the requirement to do so by section 228 of the Companies Act 1985. The company is a subsidiary undertaking of Adminstore Limited, a company incorporated in England, and is included in the consolidated financial statements of that company.

1.11 Fixed asset investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.12 Lessors

Rental income is recognised in the profit and loss account in equal instalments over the lease term.

1.13 Current asset investments

Current asset investments are included in the financial statements at the lower of cost and estimated net realisable value. In the case of quoted investments, net realisable value is based on market value.

2. Turnover

The turnover and profit before tax are attributable to the principal activity of the company.

A geographical analysis of turnover is given below:

	2003 £	2002 £
United Kingdom	<u>23,732,854</u>	<u>25,525,857</u>

EUROPA FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 WEEKS ENDED 27 SEPTEMBER 2003

3. Net operating expenses

	2003 £	2002 £
Change in stocks of finished goods	106,370	(60,663)
Raw materials and consumables	16,390,750	17,709,942
Other external charges	(1,853,138)	(1,630,797)
Staff costs	4,039,000	4,232,258
Depreciation and disposal of fixed assets	589,515	486,651
Other operating charges	4,900,759	5,004,879
Other operating income	(1,417,975)	(954,872)
	<u>22,755,281</u>	<u>24,787,398</u>

Details of activities relating to acquisitions in 2002

It was not practicable to determine the net operating expenses and operating profit attributable to acquisitions as the acquired stores were fully integrated with existing stores. Many costs were incurred on a central, group wide basis, and, as such, the requisite analysis was unobtainable.

4. Particulars of employees

The average number of staff, including the directors, employed by the company during the financial 52 weeks was:

	2003 Number	2002 Number
Administration	100	103
Shop assistants and warehouse	332	297
	<u>432</u>	<u>400</u>

The aggregate payroll costs of the above were:

	2003 £	2002 £
Wages and salaries	3,717,288	3,910,381
Social security costs	294,160	285,104
Other pension costs	27,552	36,773
	<u>4,039,000</u>	<u>4,232,258</u>

EUROPA FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 WEEKS ENDED 27 SEPTEMBER 2003

5. Operating profit

Operating profit is stated after charging/(crediting):

	2003 £	2002 £
Amortisation	62,500	62,500
Depreciation	490,392	424,151
Loss on disposal of fixed assets	36,623	-
Auditors' remuneration:		
- as auditors	25,730	25,817
Operating lease costs:		
- land and buildings	2,097,057	2,092,208
Rent receivable	<u>(499,189)</u>	<u>(558,321)</u>

6. Income from fixed asset investments

	2003 £	2002 £
Dividend income receivable	<u>-</u>	<u>75,000</u>

7. Interest payable and similar charges

	2003 £	2002 £
Interest payable on bank loans and overdrafts	212,088	314,644
Interest payable to group undertakings	<u>-</u>	<u>53,936</u>
	<u>212,088</u>	<u>368,580</u>

8. Tax on profit on ordinary activities

Taxation

	2003 £	2002 £
Current tax:		
UK corporation tax based on the results for the 52 weeks at 30% (2002: 30%)	294,399	212,962
Adjustment in respect of previous years:		
Corporation tax	<u>(5,690)</u>	<u>(340)</u>
	<u>288,709</u>	<u>212,622</u>

There is a potential deferred tax asset amounting to approximately £259,000 (2002: £400,000) which has not been provided for in the financial statements due to the uncertainty concerning the timescale for such assets to be realised.

EUROPA FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 WEEKS ENDED 27 SEPTEMBER 2003

8. Tax on profit on ordinary activities *(continued)*

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the 52 weeks is higher than the standard rate of corporation tax in the UK of 30% (2002: 30%).

	2003 £	2002 £
Profit on ordinary activities before taxation	<u>794,458</u>	<u>471,843</u>
Profit on ordinary activities at standard rate of corporation tax	238,337	141,553
Expenses not deductible for tax purposes and other permanent differences	753	92,687
Accounting depreciation and goodwill amortisation in excess of capital allowances	55,309	(21,278)
Adjustments relating to prior years	<u>(5,690)</u>	<u>(340)</u>
Total current tax	<u>288,709</u>	<u>212,622</u>

9. Dividends

	2003 £	2002 £
Proposed dividend on ordinary shares	<u>470,000</u>	<u>245,000</u>

10. Intangible fixed assets

	Goodwill £
Cost	
At 29 September 2002 and 27 September 2003	<u>725,000</u>
Amortisation	
At 29 September 2002	162,500
Charge for the 52 weeks	<u>62,500</u>
At 27 September 2003	<u>225,000</u>
Net book value	
At 27 September 2003	<u>500,000</u>
At 28 September 2002	<u>562,500</u>

EUROPA FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 WEEKS ENDED 27 SEPTEMBER 2003

11. Tangible fixed assets

	Freehold & leasehold property £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost				
At 29 September 2002	11,509,435	3,387,739	357,836	15,255,010
Additions	4,693	463,636	24,750	493,079
Disposals	(269,956)	(226,006)	(102,973)	(598,935)
At 27 September 2003	11,244,172	3,625,369	279,613	15,149,154
Depreciation				
At 29 September 2002	3,268,188	3,006,664	205,309	6,480,161
Charge for the 52 weeks	174,003	251,768	64,621	490,392
On disposals	(210,880)	(225,419)	(79,068)	(515,367)
At 27 September 2003	3,231,311	3,033,013	190,862	6,455,186
Net book value				
At 27 September 2003	8,012,861	592,356	88,751	8,693,968
At 28 September 2002	8,241,247	381,075	152,527	8,774,849
		2003 £		2002 £

The net book value of land and buildings is analysed as follows:

Freehold property	4,809,509	4,878,529
Short leasehold property	460,206	619,572
Investment properties	2,743,146	2,743,146
	8,012,861	8,241,247

Freehold and short leasehold properties are stated at cost less depreciation. Investment properties are stated at open market value as at 27 September 2003 as estimated by the directors.

EUROPA FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 WEEKS ENDED 27 SEPTEMBER 2003

12. Fixed asset investments

	Shares in group companies £	Investments £	Total £
Cost			
At 29 September 2002 and 27 September 2003	<u>2</u>	<u>21,360</u>	<u>21,362</u>
Net book value			
At 27 September 2003	<u>2</u>	<u>21,360</u>	<u>21,362</u>
At 28 September 2002	<u>2</u>	<u>21,360</u>	<u>21,362</u>

The directors are of the opinion that the current market value of the unlisted investments is not less than their cost.

The company holds 100% of the share capital of Europa Food (Belsize Park) Limited, a company incorporated in England, of which the principal activity is that of retail grocer.

The company also holds 100% of the share capital of Europa Warehouse Limited, a company incorporated in England, of which the principal activity is that of wholesale grocer.

13. Stocks

	2003 £	2002 £
Finished goods and goods for resale	<u>863,581</u>	<u>969,951</u>

14. Debtors

	2003 £	2002 £
Trade debtors	312,544	408,973
Amounts owed by group undertakings	4,634,197	5,272,407
Corporation tax recoverable	77,316	274,472
Other debtors	116,880	720,765
Prepayments and accrued income	<u>2,316,879</u>	<u>2,170,318</u>
	<u>7,457,816</u>	<u>8,846,935</u>

EUROPA FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 WEEKS ENDED 27 SEPTEMBER 2003

15. Current asset investments

	2003 £	2002 £
Other investments	<u>709</u>	<u>8,209</u>

Listed investments

Investments having a net book value of £709 (2002: £709) are listed on a recognised stock exchange and had a market value of £709 at the end of the 52 weeks (2002: £709).

16. Creditors: Amounts falling due within one year

	2003 £	2002 £
Bank loans and overdrafts	4,295,979	3,861,878
Trade creditors	3,435,515	3,407,808
Amounts owed to group undertakings	5,759,077	4,767,967
Other taxation	627,017	547,823
Dividends payable	470,000	245,000
Other creditors	103,143	473,753
Accruals and deferred income	<u>1,849,506</u>	<u>2,863,626</u>
	<u>16,540,237</u>	<u>16,167,855</u>

The bank loans and overdrafts are secured by charges over the company's properties and assets and cross guarantees of group undertakings.

17. Creditors: Amounts falling due after more than one year

	2003 £	2002 £
Bank loans and overdrafts	<u>2,168,876</u>	<u>2,783,663</u>

The bank loan repayable by instalments is at interest of 7.13% fixed rate and is due for repayment by September 2008.

The bank loans and overdrafts are secured by charges over the company's properties and assets and cross guarantees of group undertakings.

EUROPA FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 WEEKS ENDED 27 SEPTEMBER 2003

18. Loan maturity analysis

	2003 £	2002 £
Between one and two years	665,809	640,655
Between two and five years	1,503,067	1,872,422
After five years	—	270,586
	<u>2,168,876</u>	<u>2,783,663</u>
	2003 £	2002 £
Repayable by instalments wholly or partly in more than five years:		
Bank loans	—	2,069,769
Repayable other than by instalments in more than five years:		
Wholly repayable within five years	2,809,531	1,331,122
	<u>2,809,531</u>	<u>3,400,891</u>
Due within one year	(640,655)	(617,228)
	<u>2,168,876</u>	<u>2,783,663</u>

19. Commitments under operating leases

At 27 September 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & buildings	
	2003 £	2002 £
Operating leases which expire:		
Within one year	167,550	76,150
Within two to five years	674,800	622,875
After more than five years	1,369,650	1,324,082
	<u>2,212,000</u>	<u>2,023,107</u>

20. Contingencies

There is a contingent liability in respect of unassessed taxation not exceeding £660,000, some of which may be offset by a deferred tax asset.

EUROPA FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 WEEKS ENDED 27 SEPTEMBER 2003

21. Related party transactions and controlling party

The immediate controlling party is Adminstore Limited, a company incorporated in England. There is no ultimate controlling party.

The company has taken advantage of the exemption afforded by Financial Reporting Standard 8 from disclosing transactions with related parties that are part of the Adminstore Limited group.

The following table details the transactions which took place during the year with related parties and the balances outstanding at the year end. The parties are related by virtue of the fact that the directors or their immediate families control or have an interest in them.

Name (Relationship)	Transaction	Amount		Amount due (to)/from related parties	
		2003 £	2002 £	2003 £	2002 £
Crispins Food and Wine (J M Patel)	Turnover	—	—	69,053	99,533
J M Patel	Operating costs	179,372	179,984	(200,000)	(200,000)
Olivers Food and Wine (J M Patel, M M Patel)	Turnover	—	—	118,699	101,466
Colorama Associates (N M Patel, M M Patel)	Operating costs	148,497	149,004	(200,000)	(200,000)

In addition to these transactions the company and the group made loans of £nil (2002: £226,615), to an entity of which J M Patel and M M Patel are directors. Neither J M Patel nor M M Patel hold any interest in this entity.

22. Share capital

	2003		2002	
	Number	£	Number	£
Authorised share capital:				
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Called up, allotted and fully paid:				
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

EUROPA FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 WEEKS ENDED 27 SEPTEMBER 2003

23. Profit and loss account

	2003 £	2002 £
Balance brought forward	391,441	377,220
Retained profit for the financial 52 weeks	<u>35,749</u>	<u>14,221</u>
Balance carried forward	<u>427,190</u>	<u>391,441</u>

24. Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit for the financial 52 weeks	505,749	259,221
Dividends	<u>(470,000)</u>	<u>(245,000)</u>
	35,749	14,221
Opening shareholders' equity funds	<u>491,441</u>	<u>477,220</u>
Closing shareholders' equity funds	<u>527,190</u>	<u>491,441</u>

25. Ultimate parent company

The parent undertaking for which group financial statements are drawn up and of which the company is a member is Adminstore Limited, a company incorporated in England, which the directors regard as being the ultimate parent company.

Copies of these group financial statements are available to the public from Companies House, Crown Way, Cardiff, CF4 3UZ.