

## Hitchen Foods plc

Accounts 30 April 1999  
together with directors' and auditors' reports

Registered number: 681065



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COMPANIES HOUSE

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## Directors' report

For the year ended 30 April 1999

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 30 April 1999.

### Directors' responsibilities

Company law requires the directors to prepare accounts 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 of the company for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts 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 accounts comply with the Companies Act 1985. They 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.

### Principal activity and business review

The principal activity of the company continues to be the merchanting, processing and supply of high specification vegetables, salads and fruit to both retail and food processing sectors.

In the course of the financial year to 30 April 1999 the company established an Employee Benefit Trust. This major step demonstrates the importance which the company attaches to rewarding in an innovative and flexible way the contribution made by its employees to the continuing success and growth of the business. The company recognises the value of a loyal and committed workforce and the wide range of benefits which an Employee Benefit Trust can offer will be used to incentivise employees and reward their loyalty.

### Results and dividends

Results, dividends and recommended transfers to reserves are as follows:

	£
Retained profit at 30 April 1998	2,267,679
Retained profit for the year	790,553
Retained profit at 30 April 1999	<u>3,058,232</u>

The directors do not recommend the payment of a dividend.



## Directors' report (continued)

### Directors and their interests

The directors who served during the year, together with their interests in the £1 ordinary shares of the company are as shown below:

	30 April 1999 Number of shares	30 April 1998 Number of shares
B.J. Hitchen (Chairman)	33,240	33,240
A. Hitchen	33,240	33,240
H.B. Hitchen	33,240	33,240
C.J. Ball (Non-Executive Director)	-	-

The directors do not have any other interests required to be disclosed under Schedule 7 of the Companies Act 1985.

### Charitable contributions

The company contributed £3,445 (1998 - £1,655) to charities during the year.

### Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### Employee consultation

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

### Year 2000

The Year 2000 issue, relating to date sensitive calculations, is one which affects all companies which are reliant on computer based technologies. The company is giving high priority to the potential impact of the millennium bug and is taking significant and positive steps to minimise the effect of the Year 2000 date change on the company's ability to maintain its systems and to continue to provide service to customers. Any costs incurred in achieving this will be charged to operating costs.



## Directors' report (continued)

### Creditor payment policy

The company does have a specific policy on the payment of suppliers, dependant on the goods or services provided. It agrees payment terms with suppliers upon entering into purchase contracts and adheres to these arrangements on satisfactory receipt of the goods or services.

At 30 April 1999, the creditors outstanding represented approximately 45 (1998 - 45) days purchases.

### Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By order of the Board,



H.B. Hitchen

Secretary

Dobson Park Industrial Estate  
Manchester Road  
Ince  
Wigan  
WN2 2DX

12 July 1999





## Auditors' report

Manchester

### To the Shareholders of Hitchen Foods plc:

We have audited the accounts on pages 5 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

### Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

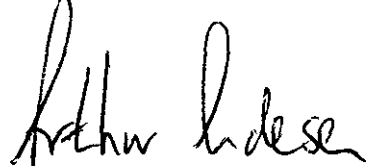
### Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts 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 accounts 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 accounts.

### Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 30 April 1999 and of the profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

Bank House  
9 Charlotte Street  
Manchester  
M1 4EU

12 July 1999



## Profit and loss account

For the year ended 30 April 1999

	Notes	1999 £	1998 £
<b>Turnover</b>	2	23,878,693	16,552,693
<b>Cost of sales</b>		(15,542,014)	(10,598,465)
<b>Gross profit</b>		8,336,679	5,954,228
<b>Other operating expenses (net)</b>	3	(7,216,630)	(5,694,770)
<b>Operating profit</b>		1,120,049	259,458
<b>Interest receivable and similar income</b>		26,489	29,587
<b>Interest payable and similar charges</b>	4	(82,035)	(126,911)
<b>Profit on ordinary activities before taxation</b>	5	1,064,503	162,134
<b>Tax on profit on ordinary activities</b>	7	(273,950)	(10,432)
<b>Retained profit for the year</b>		790,553	151,702
<b>Retained profit, beginning of year</b>		2,267,679	2,115,977
<b>Retained profit, end of year</b>		3,058,232	2,267,679

All activity has arisen from continuing operations. The company has no recognised gains or losses in either year other than the retained profit for each year.

The accompanying notes are an integral part of this profit and loss account.



# Balance sheet

30 April 1999

	Notes	1999 £	1998 £
<b>Fixed assets</b>			
Tangible assets	8	5,099,965	4,319,734
Investments	9	2	-
		<hr/>	<hr/>
<b>Current assets</b>		5,099,967	4,319,734
Stocks	10	306,054	241,413
Debtors	11	2,844,118	2,102,919
Cash at bank and in hand	12	683,699	603
		<hr/>	<hr/>
		3,833,871	2,344,935
<b>Creditors: Amounts falling due within one year</b>	13	(4,519,400)	(2,927,995)
		<hr/>	<hr/>
<b>Net current liabilities</b>		(685,529)	(583,060)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		4,414,438	3,736,674
		<hr/>	<hr/>
<b>Creditors: Amounts falling due after more than one year</b>	14	(1,153,456)	(1,332,845)
		<hr/>	<hr/>
<b>Provisions for liabilities and charges</b>	15	(102,750)	(36,150)
		<hr/>	<hr/>
<b>Net assets</b>		3,158,232	2,367,679
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called-up share capital	16	100,000	100,000
Profit and loss account		3,058,232	2,267,679
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		3,158,232	2,367,679
		<hr/>	<hr/>

Signed on behalf of the Board



H.B. Hitchen

Director

12 July 1999

The accompanying notes are an integral part of this balance sheet.



## Cash flow statement

For the year ended 30 April 1999

	Notes	1999		1998	
		£	£	£	£
<b>Net cash inflow from operating activities</b>	18a		2,641,010		946,151
<b>Returns on investments and servicing of finance</b>					
Interest received		26,489		29,587	
Interest paid		(91,325)		(126,911)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(64,836)		(97,324)
<b>Taxation paid</b>			(58,191)		(88,704)
<b>Capital expenditure</b>					
Purchase of tangible fixed assets		(1,792,909)		(1,087,113)	
Sale of tangible fixed assets		44,849		52,676	
Receipt of government capital grant		30,300		-	
<b>Net cash outflow from capital expenditure</b>			(1,717,760)		(1,034,437)
<b>Cash inflow (outflow) before financing</b>			800,223		(274,314)
<b>Financing</b>					
Decrease in loans from directors		(5,000)		(395,500)	
Repayment of bank loans		(69,990)		(92,803)	
<b>Net cash outflow from financing</b>	18c		(74,990)		(488,303)
<b>Increase (decrease) in cash in the year</b>	18c		725,233		(762,617)

The accompanying notes are an integral part of this statement.





## Notes to accounts

30 April 1999

### 1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

#### a) *Basis of accounting*

The accounts are prepared under the historical cost convention. Assets and liabilities are recognised in the accounts where, as a result of past transactions or events, the company has rights or other access to future economic benefits controlled by the company, or obligations to transfer economic benefits. The accounts have been prepared in accordance with applicable accounting standards.

#### b) *Tangible fixed assets*

Land and buildings are shown at original historical cost less any provision for impairment. Other fixed assets are shown at cost, any related government grants being reported as deferred income and amortised over the expected useful life of the asset concerned.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Freehold buildings	4% per annum
Plant and equipment	15% per annum
Motor vehicles	25% per annum

Residual value is calculated on prices prevailing at the date of acquisition.

#### c) *Investments*

Fixed asset investments are shown at cost less provision for impairment. Current assets are stated at the lower of cost and net realisable value.

No group accounts have been prepared, as provided by section 229 (2) of the Companies Act 1985, as the subsidiary undertaking is not material to the company.



## Notes to accounts (continued)

### 1 Accounting policies (continued)

#### d) Stocks

Stocks are stated at the lower of cost and net realisable value.

Cost is calculated as follows:

Unprocessed products	-	purchase cost on a first-in, first-out basis.
Processed products	-	cost of direct materials and labour.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal.

#### e) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax legislation) has been calculated using the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse. However, the amount of all deferred tax, including that which will probably not reverse, is shown in note 15.

#### f) Pension costs

The company contributes to a self-administered defined contribution pension scheme covering the directors. Contributions are charged to the profit and loss account as they become payable.

#### g) Turnover

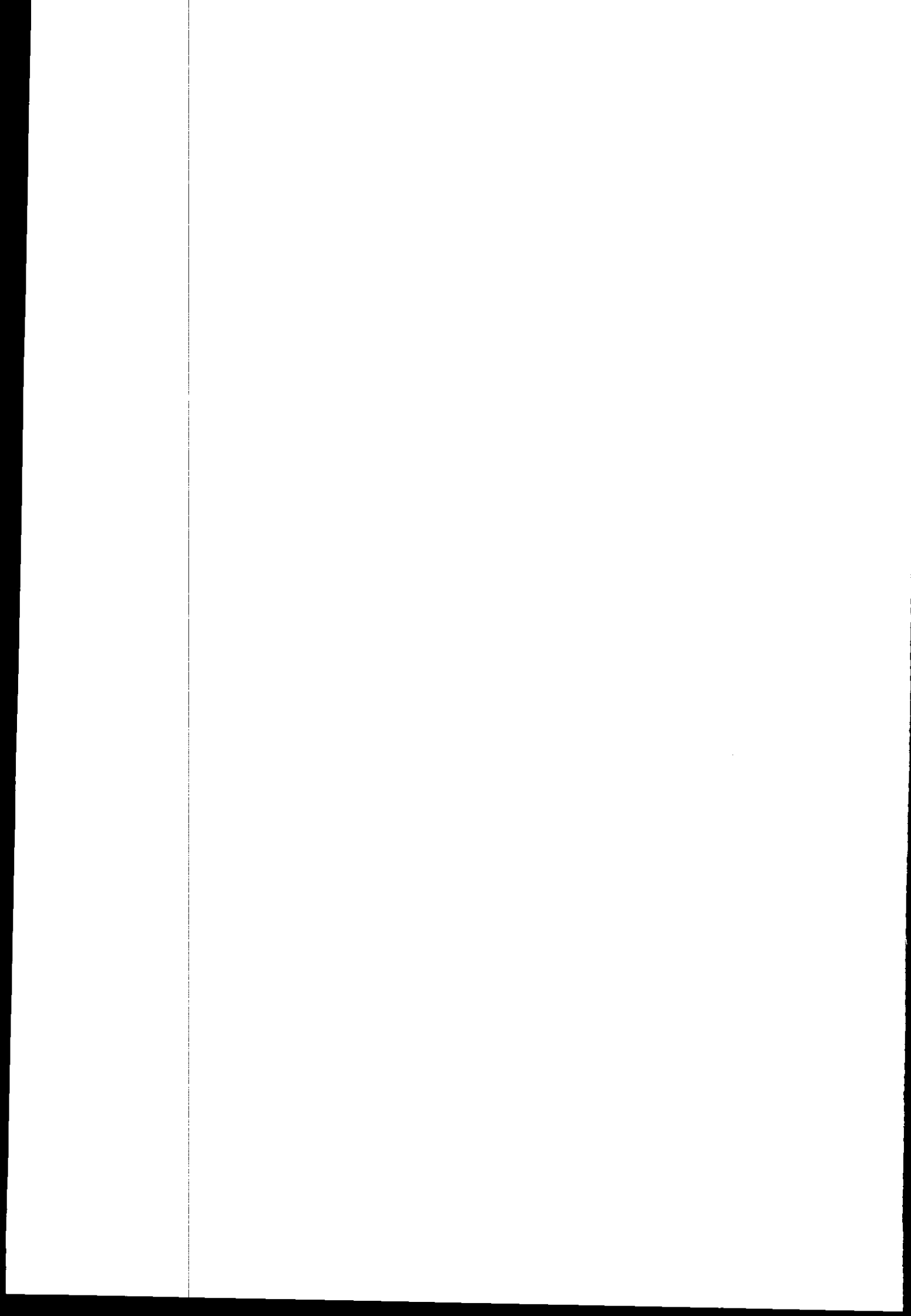
Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services provided in the normal course of business.

#### h) Government grants

Government grants received in respect of capital projects are included within accruals and deferred income and amortised from the date of receipt over the expected useful lives of the related tangible fixed assets. Grants received in respect of revenue projects are included within accruals and deferred income and amortised over various periods to reflect the charging of the related costs. The balance of unamortised grants is disclosed as deferred income (see notes 13 and 14).

### 2 Turnover

All turnover relates to the principal activity within the United Kingdom.



## Notes to accounts (continued)

### 3 Other operating expenses (net)

	1999 £	1998 £
Distribution costs	1,496,872	1,154,482
Administrative expenses	5,856,982	4,647,212
	<u>7,353,854</u>	<u>5,801,694</u>
Other operating income	(137,224)	(106,924)
	<u>7,216,630</u>	<u>5,694,770</u>

### 4 Interest payable and similar charges

	1999 £	1998 £
On bank loans and overdrafts	72,355	74,794
On amounts owed to directors	9,680	52,117
	<u>82,035</u>	<u>126,911</u>

### 5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after (crediting) charging:

	1999 £	1998 £
Amortisation of government grant	(137,224)	(106,924)
Depreciation of tangible fixed assets	932,981	834,669
Auditors' remuneration		
- audit	11,300	11,000
- non-audit	3,600	3,250
	<u>7,216,630</u>	<u>5,694,770</u>

### 6 Staff costs

Particulars of employees (including executive directors) are as shown below:

	1999 £	1998 £
Employee costs during the year amounted to:		
Wages and salaries	6,459,912	4,476,548
Social security costs	506,397	344,739
Other pension costs	894,268	771,320
	<u>7,860,577</u>	<u>5,592,607</u>



## Notes to accounts (continued)

### 6 Staff costs (continued)

The average weekly number of persons employed by the company during the year was as follows:

	1999 Number employed	1998 Number employed
Production	429	328
Distribution	31	25
Sales	6	5
Technical	35	25
Administration	19	21
	<u>520</u>	<u>404</u>

Directors' remuneration:

The remuneration of the directors was as follows:

	1999 £	1998 £
Emoluments	1,217,710	805,554
Company contributions to money purchase schemes	862,136	745,295
	<u>2,079,846</u>	<u>1,550,849</u>

Three directors (1998 - 3) were members of money purchase pension schemes in 1999 to which the company made contributions.

The above amounts for remuneration include the following in respect of the highest paid director.

	1999 £	1998 £
Emoluments	400,100	264,162
Company contributions to money purchase schemes	314,852	260,853
	<u>714,952</u>	<u>525,015</u>





## Notes to accounts (continued)

### 7 Tax on profit on ordinary activities

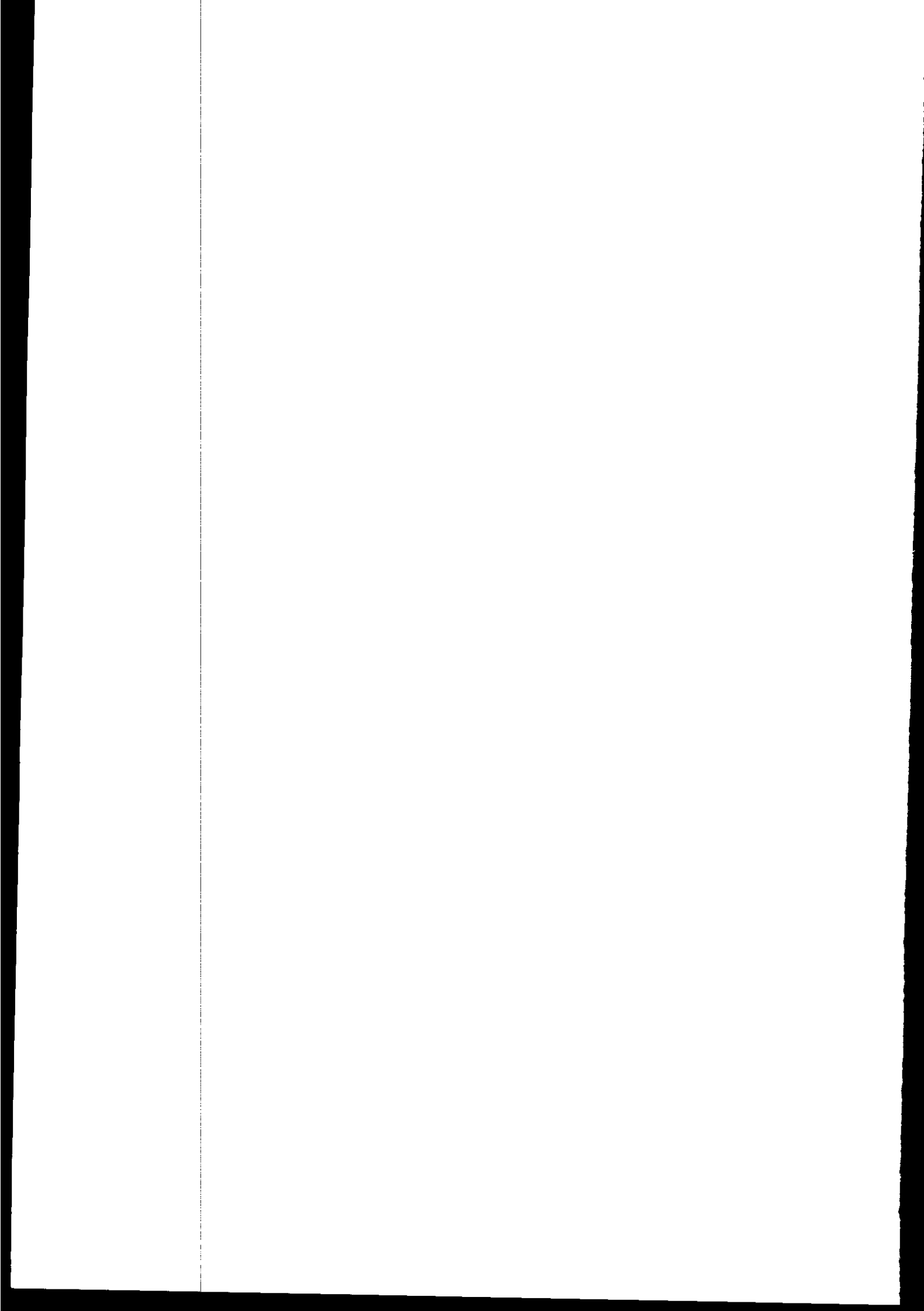
The tax charge is based on the profit for the year and comprises:

	1999 £	1998 £
Corporation tax	207,350	59,357
Deferred taxation arising from		
- capital allowances	(36,150)	(38,506)
- other timing differences	102,750	-
	<u>273,950</u>	<u>20,851</u>
Adjustment of current taxation in respect of prior year	-	(47,468)
Adjustment of deferred taxation in respect of prior year	-	37,049
	<u>273,950</u>	<u>10,432</u>

### 8 Tangible fixed assets

	Freehold land and buildings £	Plant and equipment £	Motor vehicles £	Total £
<b>Cost</b>				
Beginning of year	2,238,790	5,278,872	1,137,396	8,655,058
Additions	458,754	1,017,465	316,690	1,792,909
Disposals	-	(259,553)	(108,974)	(368,527)
End of year	<u>2,697,544</u>	<u>6,036,784</u>	<u>1,345,112</u>	<u>10,079,440</u>
<b>Depreciation</b>				
Beginning of year	493,949	3,060,092	781,283	4,335,324
Charge	90,602	640,489	201,890	932,981
Disposals	-	(196,942)	(91,888)	(288,830)
End of year	<u>584,551</u>	<u>3,503,639</u>	<u>891,285</u>	<u>4,979,475</u>
<b>Net book value</b>				
Beginning of year	<u>1,744,841</u>	<u>2,218,780</u>	<u>356,113</u>	<u>4,319,734</u>
End of year	<u>2,112,993</u>	<u>2,533,145</u>	<u>453,827</u>	<u>5,099,965</u>

Freehold land amounting to £88,728 (1998 - £88,728) has not been depreciated.



## Notes to accounts (continued)

### 9 Fixed asset investments

	1999 £	1998 £
Subsidiary undertakings	<u>2</u>	<u>-</u>

The company has investments in the following subsidiary undertakings.

	Country of incorporation	Holding
Othona Fiduciary	England	100%

### 10 Stocks

	1999 £	1998 £
Unprocessed fruit and vegetables	88,122	46,878
Processed fruit and vegetables	75,662	47,315
Other stocks	<u>142,270</u>	<u>147,220</u>
	<u>306,054</u>	<u>241,413</u>

### 11 Debtors

	1999 £	1998 £
Amounts falling due within one year:		
Trade debtors	2,606,739	1,958,464
VAT	149,900	78,075
Prepayments and accrued income	<u>87,479</u>	<u>66,380</u>
	<u>2,844,118</u>	<u>2,102,919</u>

### 12 Cash

Cash at bank and in hand includes £342,600 (1998 - £Nil) which is held in trust for the beneficiaries of the employee benefit trust.



## Notes to accounts (continued)

### 13 Creditors: Amounts falling due within one year

	1999 £	1998 £
Bank loan and overdraft	82,635	122,297
Trade creditors	2,430,492	1,538,004
Other creditors		
- UK corporation tax payable	207,682	58,523
- social security and PAYE	252,996	183,588
- due to directors	245,500	250,500
Accruals and deferred income		
- government capital grants	106,924	106,924
- other	1,193,171	668,159
	<u>4,519,400</u>	<u>2,927,995</u>

The bank loan is secured by a fixed and floating charge over all land, property and assets of the company.

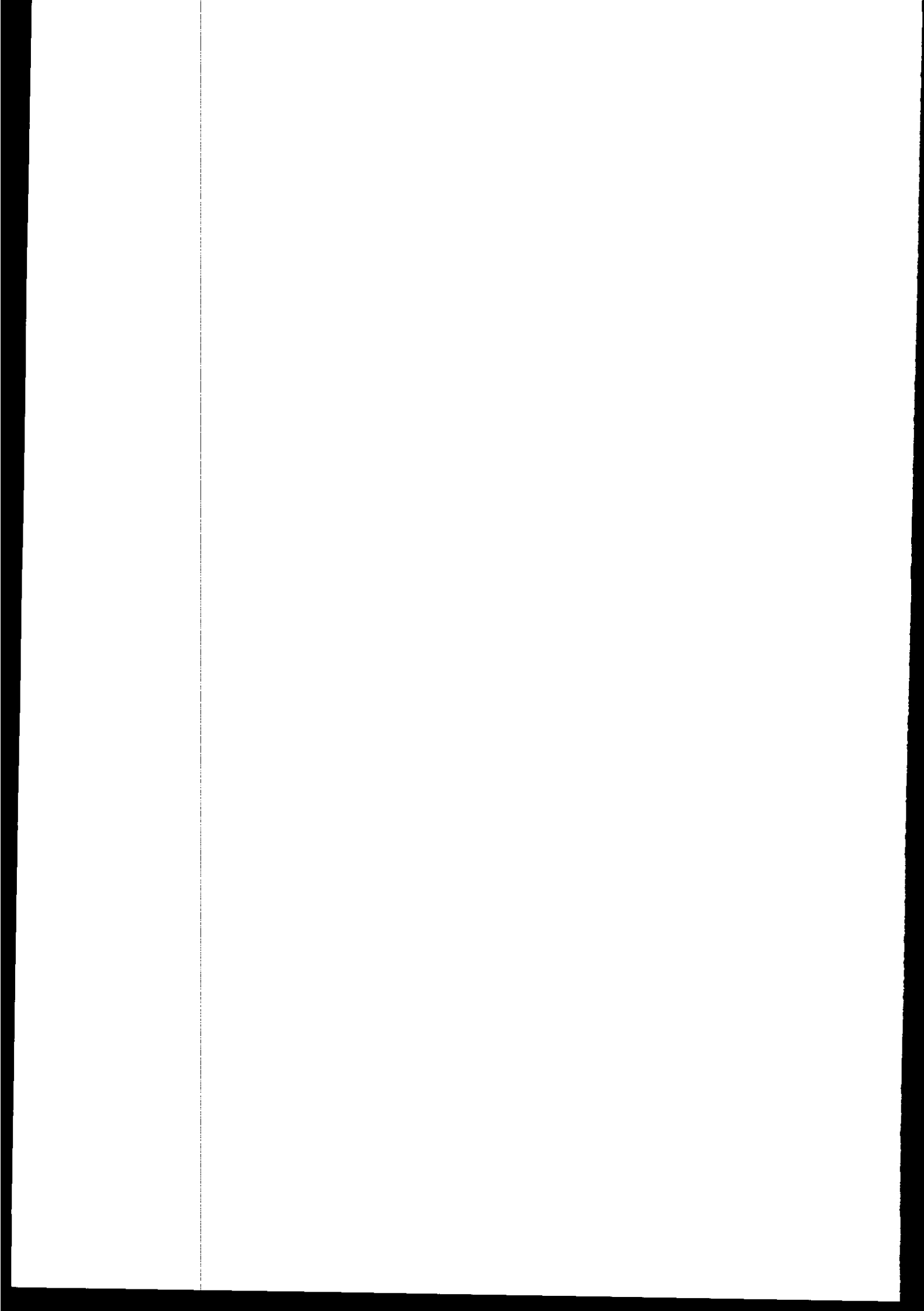
Amounts owed to directors are unsecured, have no repayment date and bear interest at a rate of 1% per annum above the bank base rate.

### 14 Creditors: Amounts falling due after more than one year

The following amounts are included in creditors falling due after more than one year:

	1999 £	1998 £
Bank loan	641,574	714,039
Accruals and deferred income - government capital grants	511,882	618,806
	<u>1,153,456</u>	<u>1,332,845</u>

The bank loan is secured by a fixed and floating charge over all land, property and assets of the company and is repayable in equal monthly instalments over ten years commencing 1 August 1995. Interest is payable at a rate of 1.5% per annum above LIBOR.



## Notes to accounts (continued)

### 15 Provisions for liabilities and charges

Provisions for liabilities and charges comprise deferred taxation.

Deferred taxation has been provided in full, as follows:

	1999 £	1998 £
Excess of tax allowances over book depreciation of fixed assets	-	36,150
Other timing differences	102,750	-
	<u>102,750</u>	<u>36,150</u>

The movement on deferred taxation comprises:

	1999 £	1998 £
Beginning of year	36,150	37,607
(Credited) charged to profit and loss, in respect of		
- capital allowances	(36,150)	(38,506)
- other timing differences	102,750	-
- adjustment in respect of prior year	-	37,049
End of year	<u>102,750</u>	<u>36,150</u>

### 16 Called-up share capital

	1999 £	1998 £
<i>Authorised, allotted, called-up and fully-paid</i>		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

### 17 Reconciliation of movements in equity shareholders' funds

	1999 £	1998 £
Retained profit for the year	790,553	151,702
Opening equity shareholders' funds	2,367,679	2,215,977
Closing equity shareholders' funds	<u>3,158,232</u>	<u>2,367,679</u>





## Notes to accounts (continued)

### 18 Cash flow information

#### a) Reconciliation of operating profit to net cash inflow from operating activities

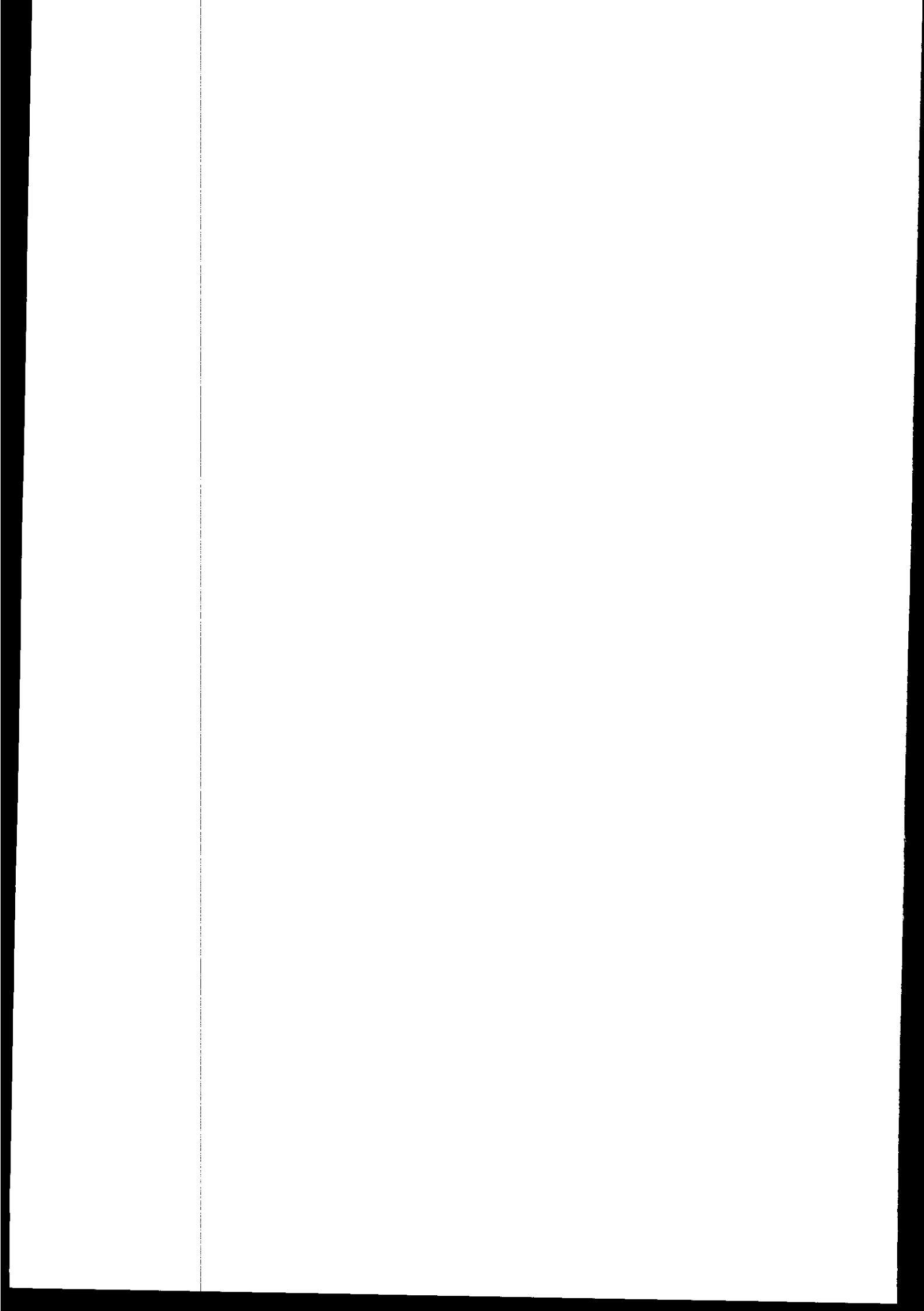
	1999 £	1998 £
Operating profit	1,120,049	259,458
Depreciation charges	932,981	834,669
Loss on sale of tangible fixed assets	34,848	4,311
Increase in stocks	(64,641)	(101,435)
Increase in debtors	(741,199)	(522,365)
Increase in creditors	1,496,196	578,437
Amortisation of government grant	(137,224)	(106,924)
<b>Net cash inflow from operating activities</b>	<b>2,641,010</b>	<b>946,151</b>

#### b) Analysis of net debt

	At 30 April 1998 £	Cashflow £	At 30 April 1999 £
Cash at bank and in hand	603	683,096	683,699
Overdraft	(42,137)	42,137	-
Loans	(1,044,699)	74,990	(969,709)
	<b>(1,086,233)</b>	<b>800,223</b>	<b>(286,010)</b>

#### c) Reconciliation of net cash flow to movement in net debt

	1999 £	1998 £
Increase (decrease) in cash in the year	725,233	(762,617)
Cash outflow from decrease in loans	74,990	488,303
Movement in net debt in year	800,223	(274,314)
Net debt at 30 April 1998	(1,086,233)	(811,919)
Net debt at 30 April 1999	(286,010)	(1,086,233)



## Notes to accounts (continued)

### 19 Guarantees and other financial commitments

#### *Capital commitments*

At the end of the year, capital commitments were:

	1999 £	1998 £
Contracted for but not provided for	<u>434,745</u>	<u>229,967</u>

