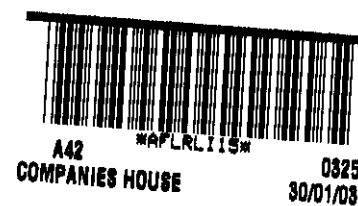


879131

# **Philpot Dairy Products Limited**

## **Report and Financial Statements**

31 March 2002



# Philpot Dairy Products Limited

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Registered No. 879131

## **Directors**

H Fox  
I C Laurie  
J W D Hall  
C Bilbao  
J A Parker  
M J Sheldon

## **Secretary**

R J Newton

## **Auditors**

Ernst & Young LLP  
Becket House  
1 Lambeth Palace Road  
London SE1 7EU

## **Registered Office**

Claygate House  
Littleworth Road  
Esher  
Surrey KT10 9PN

## Directors' report

The directors present their report and financial statements for the year ended 31 March 2002.

### Results and dividends

The results for the year are set out in the profit and loss account on page 6.

The profit after taxation for the year was £347,000 (2001 – £519,000). No dividend is proposed for the year (2001 – £nil).

### Principal activity and review of the business

The principal activity of the company is that of trading in dairy products.

### Directors and their interests

Mr W J Houlston retired from the board on 6 June 2002. Mr M J Sheldon was appointed to the board on 6 June 2002.

The interests of W J Houlston, J W D Hall and I C Laurie in the shares of Dairy Crest Group plc are given in its statutory financial statements. The interests of the other directors in the shares of Dairy Crest Group plc are set out below:

	<i>Ordinary shares</i>	
	2002	2001
H Fox	18,873	31,846
C Bilbao	7,024	64
J A Parker	64	64

	<i>Options over ordinary shares</i>	
	2002	2001
H Fox	–	97,139
	483*	7,303*
C Bilbao	13,079	13,079
	70*	–
J A Parker	70*	–

\* Savings related options accrued on savings up to 31 March 2002 and 2001 respectively.

The options are exercisable at prices between 184.8p per share and 282p per share on various dates between 28 August 1999 and 27 August 2006.

The following directors have, from the dates set out below, rights to acquire ordinary shares in Dairy Crest Group plc at a nominal price subject to remaining employed by Dairy Crest and to certain share performance conditions being satisfied:

	<i>After 1 April</i>		
	2002	2003	2004
H Fox	15,162	47,431	15,263
C Bilbao	–	8,538	3,357
J A Parker	–	–	2,589

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

### **Supplier's payment policy**

Payment terms are established according to the agreed date of delivery of goods. The company agrees the length of payment terms with each of its suppliers. It is the companies' policy to abide by these agreed terms of payment. The number of day purchases in creditors as at 31 March 2002 was 92 days.

### **Implementation of the Euro**

The company continues to keep the developments of the Euro under review so it is in a position to take appropriate action in line with the requirements of its trading partners.

### **Auditors**

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



R J Newton  
Secretary  
27 January 2003

## **Statement of directors' responsibilities in respect of the financial statements**

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 of the company 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; 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. 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.

# **Independent auditors' report**

## **to the members of Philpot Dairy Products Limited**

We have audited the company's financial statements for the year ended 31 March 2002 which comprise Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 18. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 auditors' 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 directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is 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.

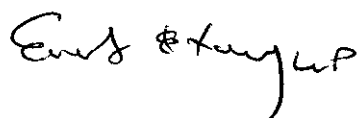
### **Basis of audit opinion**

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.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
London

27 JAN 2003

## Profit and loss account

for the year ended 31 March 2002

	Notes	2002 £000	2001 £000
<b>Turnover</b>	2	60,901	78,569
Cost of sales		(59,747)	(77,126)
<b>Gross profit</b>		1,154	1,443
Administrative expenses		(675)	(717)
<b>Profit on ordinary activities before taxation</b>	3	479	726
Tax on profit on ordinary activities	6	(132)	(5)
<b>Profit on ordinary activities after taxation</b>		347	721
Proposed dividend	7	-	-
<b>Retained profit for the year</b>		347	721

## Statement of total recognised gains and losses

There are no recognised gains and losses other than the profit for the year.

## Balance sheet

at 31 March 2002

	Notes	2002 £000	2001 £000
<b>Fixed assets</b>			
Tangible assets	8	13	27
<b>Current assets</b>			
Debtors	9	13,177	16,487
Cash at bank and in hand		5,986	1,991
Stock		—	75
<b>Creditors: amounts falling due within one year</b>	10	19,163 (16,561)	18,553 (16,312)
<b>Net current assets</b>		2,602	2,241
<b>Total assets less current liabilities</b>		2,615	2,268
<b>Capital and reserves</b>			
Called up equity share capital	11	100	100
Profit and loss account	12	2,515	2,168
<b>Shareholders' funds</b>	13	2,615	2,268

The financial statements were approved by the directors on 27 January 2003  
and signed on their behalf by:



I C Laurie  
Director



## Notes to the financial statements

at 31 March 2002

### 1. Accounting policies

#### Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company has fully adopted FRS 19 – Deferred Tax in these financial statements. No changes have been required to the comparative figures as a consequence of the adoption of FRS 19. FRS 18 – Accounting Policies has been adopted in the current year but this has not resulted in any change to the company's accounting policies.

#### Turnover

Turnover represents the amount invoiced, net of VAT, for goods and services supplied to customers.

#### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. The carrying values of tangible fixed assets are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable.

#### Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets over their estimated useful lives in equal annual instalments over the following periods.

Office equipment	–	4 to 10 years
Vehicles	–	4 years

#### Pensions

Contributions to the Dairy Crest Group Pension Fund are assessed by a qualified actuary based on the cost of providing pensions across all participating Dairy Crest Group companies. Costs are not determined for each individual company hence contributions are charged to the profit and loss account in the period in respect of which they become payable.

#### Cash flow statement

As the company is a wholly owned subsidiary of Dairy Crest Group plc in whose consolidated cash flow statement its results are included, it is exempt under the terms of FRS 1 (Revised) from publishing a cash flow statement.

#### Foreign currency

Forward foreign exchange contracts are accounted for as hedges when they relate to a foreign currency asset or liability that is probable and which involves the same currency as the hedged item.

Assets and liabilities denominated in a foreign currency are translated at the rate of exchange prevailing at the balance sheet date or the forward rate where hedged. Exchange rate differences are charged to the profit and loss account.

#### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.

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

## Notes to the financial statements

at 31 March 2002

### 2. Segmental information

All turnover arises from continuing operations and originates in the United Kingdom. Analysis of turnover by distribution is as follows:

	2002 £000	2001 £000
United Kingdom	1,412	641
Other European Union Countries	22,584	25,083
North and South America	21,295	44,979
Rest of World	15,610	7,866
	<u>60,901</u>	<u>78,569</u>

### 3. Profit on ordinary activities before taxation

This is stated after charging:

	2002 £000	2001 £000
Auditors' remuneration	8	8
Depreciation	14	17
	<u>22</u>	<u>25</u>

### 4. Directors' emoluments

	2002 £000	2001 £000
Fees and management services	123	131
Performance related bonus	25	53
	<u>148</u>	<u>184</u>

	2002 No.	2001 No.
Members of defined benefits scheme	2	3

## Notes to the financial statements

at 31 March 2002

### 5. Staff costs

Remuneration of employees, including directors:

	2002 £000	2001 £000
Wages and salaries	345	374
Social security costs	31	31
Other pension costs	36	33
	<u>412</u>	<u>428</u>
	2002 No.	2001 No.
Average number of employees during the year	10	10

### 6. Tax on profit on ordinary activities

The taxation charge for the year is made up as follows:

	2002 £000	2001 £000
Corporation tax @ 30%	136	5
Adjustment in respect of prior years	(4)	-
	<u>132</u>	<u>5</u>

The tax rate for the period is lower (2001 – lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £000	2001 £000
Profit on ordinary activities before taxation	479	726
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001 – 30%)	144	218
Profits offset by available tax relief	(8)	(219)
Expenses not deductible for tax purpose	-	6
Effects of adjustment to tax rate in respect of prior years	(4)	-
	<u>132</u>	<u>5</u>

# Notes to the financial statements

at 31 March 2002

## 7. Dividends

	2002 £000	2001 £000
Final proposed dividend	—	—

## 8. Tangible fixed assets

	Office equipment £000	Motor vehicles £000	Total £000
Cost:			
At 1 April 2001	45	44	89
Additions	—	—	—
Disposals	—	(16)	(16)
At 31 March 2002	45	28	73
Depreciation:			
At 1 April 2001	(34)	(28)	(62)
Charge in the year	(4)	(10)	(14)
Disposals	—	16	16
At 31 March 2002	(38)	(22)	(60)
Net book value:			
At 31 March 2002	7	6	13
At 31 March 2001	11	16	27

## 9. Debtors

	2002 £000	2001 £000
Trade debtors due within one year:		
Due from RPA	633	236
Other	12,544	16,251
	13,177	16,487

## Notes to the financial statements

at 31 March 2002

### 10. Creditors: amounts falling due within one year

	2002 £000	2001 £000
Trade creditors	8,857	5,696
Corporation tax	136	5
Amounts owed to parent undertaking	7,270	10,370
Other creditors	298	241
	<u>16,561</u>	<u>16,312</u>

### 11. Share capital

*Authorised, allotted, called up and fully paid:*

	2002 £000	2001 £000
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>

### 12. Profit and loss account

	2002 £000	2001 £000
At 1 April 2001	2,168	1,447
Retained profit for year	347	721
At 31 March 2002	<u>2,515</u>	<u>2,168</u>

### 13. Reconciliation of shareholders' funds and movement on reserves

	2002 £000	2001 £000
Profit for the year	347	721
Dividends	-	-
Increase in shareholders' funds	<u>347</u>	<u>721</u>
Opening shareholders' funds	2,268	1,547
Closing shareholders' funds	<u>2,615</u>	<u>2,268</u>

## Notes to the financial statements

at 31 March 2002

### 14. Financial commitments

At 31 March 2002 the company held forward foreign currency contracts totalling £32,626,396 (2001 – £19,586,081).

### 15. Contingent liabilities

#### Trading guarantees

Part of the company's export powder and intervention business is supported by bank guarantees. In consequence, the company has provided its bankers with counter-indemnities which totalled £3,968,000 (2001 – £1,288,440).

### 16. Pensions

The company participates in the Dairy Crest Group Pension Fund. The scheme is of the defined benefits type providing benefits to certain employees within the Dairy Crest Group and the assets are held separately from the group's assets.

The latest actuarial valuation of the main group scheme, the Dairy Crest Group Pension Fund, was carried out as at 31 March 2001. Details of this valuation are contained in the financial statements of Dairy Crest Group plc. The next actuarial valuation of the Dairy Crest Group Pension Fund will be carried out as at 31 March 2004.

### 17. Related party transactions

As the company is a wholly owned subsidiary of Dairy Crest Group plc, it is exempt under the terms of FRS 8 from disclosing transactions with other group subsidiaries, joint ventures or associated companies.

The company has not transacted with other related parties during the year.

### 18. Ultimate parent undertaking

The company's ultimate parent undertaking is Dairy Crest Group plc, registered in England, into whose financial statements it is consolidated. Copies of the annual report and financial statements of Dairy Crest Group plc can be obtained by writing to the company secretary, Dairy Crest Group plc, Claygate House, Littleworth Road, Esher, Surrey KT10 9PN.