

Philpot Dairy Products Limited

Report and Financial Statements

31 March 2004



Philpot Dairy Products Limited

Registered No: 879131

Directors

J W D Hall
C Bilbao
M J Sheldon
J A Parker

Secretary

R J Newton

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

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 2004.

Results and dividends

The profit for the year, after taxation, amounted to £979,000. The directors propose to pay a dividend of £750,000.

The results for the year are set out in the profit and loss account on page 8.

Principal activities and review of the business

The principal activity of the company during the year was that of trading in dairy products.

Directors

The directors who served the company during the year were as follows:

J W D Hall
C Bilbao
M J Sheldon
J A Parker

Directors' report

The interests of J W D Hall in the shares of Dairy Crest Group plc are given in its financial statements.
The interests of the other directors in the shares of Dairy Crest Group plc are set out below:

	<i>Ordinary shares as at 31 March 2004</i>	<i>Ordinary shares as at 31 March 2003</i>
C Bilbao	7,271	7,107
J A Parker	64	64
M J Sheldon	2,577	2,510

	<i>Options over Ordinary Shares 31 March 2004</i>	<i>Options over Ordinary Shares 31 March 2003</i>
C Bilbao	13,079	13,079
	1,004*	496*
J A Parker	922*	496*
M J Sheldon	11,186	11,186
	2,304*	1,241*

* Savings related options accrued under the Dairy Crest Sharesave Scheme.

The options are exercisable at prices between 282p and 368p per share on various dates between 28 August 1999 and 13 July 2008.

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 2004</i>	<i>After 1 April 2005</i>	<i>After 1 April 2006</i>
C Bilbao	3,684	3,092	2,913
J A Parker	2,842	2,324	
M J Sheldon	19,915	16,725	15,877

Creditor payment policy and practice

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 2004 was 40 days.

Directors' report

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

A handwritten signature in black ink, appearing to read 'R J Newton', is written over a circular stamp or seal.

R J Newton
Secretary

27th September 2004

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 year. 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. 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 2004 which comprise the 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.

Independent auditors' report

to the members of Philpot Dairy Products Limited (continued)

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

27 September 2004

Profit and loss account

for the year ended 31 March 2004

	Notes	2004 £000	2003 £000
Turnover	2	76,007	75,605
Cost of sales		(74,544)	(74,460)
Gross profit		1,463	1,145
Administrative expenses		(614)	(653)
Profit on ordinary activities before taxation	3	849	492
Tax on profit on ordinary activities	6	130	(139)
Profit on ordinary activities after taxation		979	353
Proposed dividend	7	(750)	-
Profit retained for the financial year		229	353

Statement of total recognised gains and losses

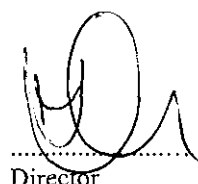
There are no recognised gains or losses other than the profit of £229,000 attributable to the shareholders for the year ended 31 March 2004 (2003 - profit of £353,000).

Balance sheet

at 31 March 2004

	Notes	2004 £000	2003 £000
Tangible assets	8	33	11
Current assets			
Stocks	9	–	198
Debtors	10	7,880	12,065
Cash at bank		6,683	6,706
		14,563	18,969
Creditors: amounts falling due within one year	11	(11,399)	(16,012)
Net current assets		3,164	2,957
Total assets less current liabilities		3,197	2,968
Capital and reserves			
Called up share capital	15	100	100
Profit and loss account	16	3,097	2,868
Equity shareholders' funds	16	3,197	2,968

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



Director

27th September 2004

Notes to the financial statements

at 31 March 2004

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

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 provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Motor Vehicles	- 4 years
Office Equipment	- 4 to 10 years

Stocks

Stocks are stated at the lower of cost and new 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.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

at 31 March 2004

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Pension costs

The company participates in the defined benefit pension scheme by Dairy Crest Group plc. The company's contributions are not affected by any surplus or deficit in the scheme; therefore any payments by the company have been accounted for, as it was a defined contribution scheme.

2. Turnover

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

Turnover originates principally in the United Kingdom. An analysis of turnover by destination is given below:

	2004 £000	2003 £000
United Kingdom	10,720	7,020
Other European Union Countries	8,244	12,187
North and South America	26,391	33,382
Rest of World	30,652	23,016
	<u>76,007</u>	<u>75,605</u>

3. Operating profit

This is stated after charging:

	2004 £000	2003 £000
Auditors' remuneration - audit services	8	8
- non-audit services	-	-
	<u>8</u>	<u>8</u>
Depreciation of owned fixed assets	<u>8</u>	<u>9</u>

4. Staff costs

	2004 £000	2003 £000
Wages and salaries	361	384
Social security costs	27	30
Other pension costs (note 12)	36	37
	<u>424</u>	<u>451</u>

Notes to the financial statements

at 31 March 2004

The monthly average number of employees during the year was as follows:

	2004 No.	2003 No.
Average number of employees during the year	<u>9</u>	<u>9</u>

5. Directors' emoluments

	2004 £000	2003 £000
Emoluments	<u>174</u>	<u>169</u>

Included in emoluments receivable were £26,000 in relation to performance related bonuses.

6. Tax

(a) Tax on profit on ordinary activities
The tax (credit)/charge is made up as follows:

	2004 £000	2003 £000
<i>Current tax:</i>		
UK corporation tax	5	139
Tax under/(over) provided in previous years	(135)	—
Total current tax (note 6(b))	<u>(130)</u>	<u>139</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2003 – 30%). The differences are reconciled below:

	2004 £000	2003 £000
Profit on ordinary activities before taxation	<u>849</u>	<u>492</u>
Profit on ordinary activities multiplied by standard tax – 30% (2003 – 30%)	255	148
Non taxable income	—	(9)
Profits offset by available tax relief	250	—
Effects of adjustment to tax rate in respect of prior years	(135)	—
Total current tax (note 6(a))	<u>(130)</u>	<u>139</u>

7. Dividends

	2004 £000	2003 £000
Final proposed dividend	<u>750</u>	<u>—</u>

Notes to the financial statements

at 31 March 2004

8. Tangible fixed assets

	<i>Motor Vehicles £000</i>	<i>Office equipment £000</i>	<i>Total £000</i>
Cost:			
At 1 April 2003	20	35	55
Additions	30	—	30
Disposals	(17)	—	(17)
At 31 March 2004	<u>33</u>	<u>35</u>	<u>68</u>
Depreciation:			
At 1 April 2003	(19)	(25)	(44)
Provided during the year	(2)	(6)	(8)
Disposals	17	—	17
At 31 March 2004	<u>(4)</u>	<u>(31)</u>	<u>(35)</u>
Net book value:			
At 31 March 2004	<u>29</u>	<u>4</u>	<u>33</u>
At 1 April 2003	<u>1</u>	<u>10</u>	<u>11</u>

9. Stocks

	<i>2004 £000</i>	<i>2003 £000</i>
Finished goods	<u>—</u>	<u>198</u>

10. Debtors

	<i>2004 £000</i>	<i>2003 £000</i>
Due from the Rural Payments Agency	870	1,658
Trade debtors	6,984	10,384
VAT debtor	8	7
Other debtors	18	16
	<u>7,880</u>	<u>12,065</u>

11. Creditors: amounts falling due within one year

	<i>2004 £000</i>	<i>2003 £000</i>
Trade creditors	9,243	9,524
Amounts owed to group undertakings	1,970	5,860
Corporation tax	5	275
Other creditors	181	353
	<u>11,399</u>	<u>16,012</u>

Notes to the financial statements

at 31 March 2004

12. Pension commitments

The pension charge for the year was £36,000 (£2003: - £37,000).

The latest actuarial valuation of the group scheme, the Dairy Crest Group Pension Fund, was carried out as at 31 March 2001. Details of this valuation was contained within 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.

13. Contingent liability

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 £7,732,000 (2003 - £4,282,000).

14. 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.

15. Share capital

		<i>Authorised</i>	
		<i>2004</i>	<i>2003</i>
		<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each		100	100
		<i>Allotted and called up</i>	
		<i>2004</i>	<i>2003</i>
	<i>No.</i>	<i>£000</i>	<i>No.</i>
			<i>£000</i>
Ordinary shares of £1 each	100,000	100	100,000
			100

16. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Profit and loss</i>	<i>Total share-</i>
	<i>£000</i>	<i>account</i>	<i>holders' funds</i>
		<i>£000</i>	<i>£000</i>
At 1 April 2002	100	2,515	2,615
Profit for the year	—	353	353
At 31 March 2003	100	2,868	2,968
Profit for the year	—	229	229
At 31 March 2004	100	3,097	3,197

17. Financial commitments

At 31 March 2003 the company held forward foreign currency contracts totalling £23,435,000 (2003 - £30,101,630).

Notes to the financial statements

at 31 March 2004

18. Ultimate parent company

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.