

879131

**REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED**  
**31 MARCH 1997**



**PHILPOT DAIRY PRODUCTS LIMITED**  
**DIRECTORS' REPORT**  
**YEAR ENDED 31 MARCH 1997**

The directors present their annual report and the audited financial statements for the year ended 31 March 1997.

**PRINCIPAL ACTIVITY**

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

**RESULTS**

The results for the year are set out in the profit and loss account on page 3.

The profit after taxation for the year was £913,000. The directors propose to pay a dividend of £585,000 and transfer the balance of £328,000 to reserves.

Shareholders' funds at the end of the year were £988,000.

**DIRECTORS**

The directors of the Company during the year were:-

W J Houliston  
H Fox  
K Lott  
I C Laurie  
W R Brown  
C Bilbao (appointed 22 May 1996 )

The interests of W J Houliston, I C Laurie and W R Brown in the shares of Dairy Crest Group plc are given in its statutory accounts. The interests of the other directors in the shares of Dairy Crest Group plc are set out below :

	Ordinary Shares	
	At 31 March 1997	At 1 April 1996
H. Fox	2,064	-
K. Lott	64	-
C. Bilbao	64	-

## DIRECTORS (CONT)

	Options over Ordinary Shares	
	At 31 March 1997	At 1 April 1996
H. Fox	97,139	-
	1,157*	-
K. Lott	19,017	-
	1,157*	-
C. Bilbao	13,079	-
	926*	-

\* Savings relating options accrued on savings at 31 March 1997

The options are exercisable at prices between 151.2p per share and 189p per share on various dates between 28 August 1999 and 28 August 2006.

H. Fox has a right to acquire 25,155 ordinary shares for a nominal price after 1 April 2000 subject to certain performance conditions being satisfied.

No share options were exercised during the year.

## SUPPLIER PAYMENT POLICY

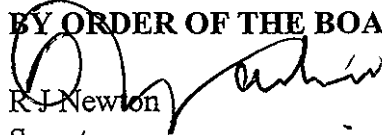
Payment dates are established according to the agreed date of delivery of goods or provision of services and receipt of correct invoice.

The Company agrees the length of payment terms with each of its suppliers as part of the overall purchasing agreement. It is the Company's policy to abide by these agreed terms of payment. The number of days' purchases in creditors at 31 March 1997 was 40 days.

## AUDITORS

Ernst & Young have expressed their willingness to continue as auditors of the Company and a resolution proposing their re-appointment will be put to the shareholders at the annual general meeting.

### BY ORDER OF THE BOARD

  
R.J. Newton  
Secretary  
2 June 1997

**Registered Office**  
Dairy Crest House  
Portsmouth Road  
Surbiton, Surrey KT6 5QL

Company No. 879131

**PHILPOT DAIRY PRODUCTS LIMITED**

**PROFIT AND LOSS ACCOUNT**

**YEAR ENDED 31 MARCH 1997**

	Note	1997 £000	1996 £000
<b>Continuing Operations</b>			
Turnover	1	58,834	78,870
Cost of sales		<u>(56,934)</u>	<u>(77,624)</u>
<b>Gross profit</b>		1,900	1,246
Administrative expenses		<u>(538)</u>	<u>(663)</u>
<b>Profit on ordinary activities before taxation</b>	2	1,362	583
Tax on profit on ordinary activities	4	<u>(449)</u>	<u>(38)</u>
<b>Profit on ordinary activities after taxation</b>		913	545
Proposed dividend	5	<u>(585)</u>	<u>-</u>
<b>Retained profit</b>	10	<u><u>328</u></u>	<u><u>545</u></u>

**Movements in reserves are disclosed in Note 10**

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

# PHILPOT DAIRY PRODUCTS LIMITED

## BALANCE SHEET

AS AT 31 MARCH 1997

	Note	1997 £000	1996 £000
<b>Fixed Assets</b>			
Tangible assets	6	<u>35</u>	<u>38</u>
<b>Current Assets</b>			
Debtors	7	13,008	10,213
Cash		<u>3,915</u>	<u>4,048</u>
		16,923	14,261
<u>Creditors</u> - amounts falling due within one year			
Other creditors	8	<u>(15,970)</u>	<u>(13,639)</u>
<b>Net current assets</b>		<u>953</u>	<u>622</u>
<b>Total assets less current liabilities</b>		<u>988</u>	<u>660</u>
<b>Capital and reserves</b>			
Called up equity share capital	9	100	100
Equity reserves:			
Profit and loss account	10	<u>888</u>	<u>560</u>
<b>Shareholders' funds</b>	11	<u>988</u>	<u>660</u>

W J Houliston



The financial statements were approved by the directors on 2 June 1997

# **PHILPOT DAIRY PRODUCTS LIMITED**

## **ACCOUNTING POLICIES**

### **1. BASIS OF PREPARATION**

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

Disclosure of transactions with Dairy Crest Group plc undertakings has not been made as permitted by Financial Reporting Standard Number 8

### **2. TURNOVER**

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

### **3. 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 years

Office equipment	-	5 to 10 years
Motor vehicles	-	4 years

### **4. 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 became payable.

### **5. CASH FLOW STATEMENT**

The cash flows of the Company have been reflected in the consolidated cash flow statement of the ultimate parent undertaking and accordingly no cash flow statement is presented as permitted by Financial Reporting Standard Number 1.

### **6. FOREIGN CURRENCY**

Transactions in foreign currencies are recorded at the rate ruling at the day of the transaction or the forward contract rate as appropriate. Monetary assets and liabilities denominated in a foreign currency are translated at the rate of exchange ruling at the balance sheet date unless covered by a forward contract. All differences are taken to the profit and loss account.

# PHILPOT DAIRY PRODUCTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 1997

1. GEOGRAPHICAL ANALYSIS OF TURNOVER	1997 £000	1996 £000
United Kingdom	1,584	2,831
Other European Union Countries	17,655	19,660
North and South America	33,068	39,183
Rest of World	<u>6,527</u>	<u>17,196</u>
	<u>58,834</u>	<u>78,870</u>

2. OPERATING PROFIT	1997 £000	1996 £000
Operating profit is stated after charging:		
Depreciation	20	27
Operating lease rentals	-	21
Auditors' remuneration	6	6
Directors' emoluments including pension costs:		
Fees and management services	149	81
Performance related bonus	53	30

### 3. EMOLUMENTS OF DIRECTORS AND EMPLOYEES

The highest paid director received emoluments including pension contributions of £102,935 (1996: £103,011)

**PHILPOT DAIRY PRODUCTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 MARCH 1997**

<b>3. EMOLUMENTS OF DIRECTORS &amp; EMPLOYEES (CONT)</b>	<b>1997 Number</b>	<b>1996 Number</b>
Average number of employees during the year	8	14
	<b>1997 £000</b>	<b>1996 £000</b>
Remuneration of employees, including directors:		
Wages and salaries	310	361
Social security costs	34	26
Other pension costs	<u>30</u>	<u>30</u>
	<u>374</u>	<u>417</u>
<b>4. TAXATION</b>	<b>1997 £000</b>	<b>1996 £000</b>
The taxation charge for the year is made up as follows:		
Corporation Tax @ 33% (1996: 33%)	449	200
Adjustment in respect of prior years	<u>-</u>	<u>(162)</u>
	<u>449</u>	<u>38</u>
<b>5. DIVIDEND</b>	<b>1997 £000</b>	<b>1996 £000</b>
Proposed final dividend of £5.85 per ordinary share	<u>585</u>	<u>NIL</u>



**PHILPOT DAIRY PRODUCTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 1997**

**6. TANGIBLE ASSETS**

	Office Equipment £000	Motor Vehicles £000	Total £000
<b>Cost</b>			
At 1 April 1996	25	54	79
Additions	1	16	17
Disposals	<u>-</u>	<u>(13)</u>	<u>(13)</u>
<b>At 31 March 1997</b>	<u><u>26</u></u>	<u><u>57</u></u>	<u><u>83</u></u>
<b>Depreciation</b>			
At 1 April 1996	(19)	(22)	(41)
Charge in the year	(3)	(17)	(20)
Disposals	<u>-</u>	<u>13</u>	<u>13</u>
<b>At 31 March 1997</b>	<u><u>(22)</u></u>	<u><u>(26)</u></u>	<u><u>(48)</u></u>
<b>Net Book Value at 31 March 1997</b>	<u><u>4</u></u>	<u><u>31</u></u>	<u><u>35</u></u>
<b>Net Book Value at 31 March 1996</b>	<u><u>6</u></u>	<u><u>32</u></u>	<u><u>38</u></u>

**7. DEBTORS**

	1997 £000	1996 £000
Due within one year		
Trade debtors:		
Due from IBAP	2,795	1,800
Other	<u>10,213</u>	<u>8,413</u>
	<u><u>13,008</u></u>	<u><u>10,213</u></u>

**PHILPOT DAIRY PRODUCTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 1997**

<b>8. CREDITORS - Due within one year</b>	<b>1997</b>	<b>1996</b>
	<b>£000</b>	<b>£000</b>

**Creditors**

Trade creditors	9,474	10,269
Corporation tax	636	200
Amounts owed to immediate parent undertaking	4,985	2,828
Dividend payable to immediate parent undertaking	585	-
Other creditors	<u>290</u>	<u>342</u>
	<u><u>15,970</u></u>	<u><u>13,639</u></u>

**9. SHARE CAPITAL**

100,000 ordinary shares of £1 each, authorised, issued and fully paid

**10. PROFIT AND LOSS ACCOUNT** **£000**

At 1 April 1996	560
Retained profit for year	<u>328</u>
At 31 March 1997	<u><u>888</u></u>

<b>11. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS</b>	<b>1997</b>	<b>1996</b>
	<b>£000</b>	<b>£000</b>
Profit for the year	913	545
Dividends	<u>(585)</u>	<u>-</u>
Increase in shareholders' funds	328	545
Opening shareholders' funds	<u>660</u>	<u>115</u>
Closing shareholders' funds	<u><u>988</u></u>	<u><u>660</u></u>

**PHILPOT DAIRY PRODUCTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 1997**

**12. 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 £5,461,000 (1996:£3,249,000)

**13. ULTIMATE OWNERSHIP**

The Company is a wholly owned subsidiary undertaking of Dairy Crest Group plc, registered in England, and is consolidated into its Financial Statements. 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, Dairy Crest House, Portsmouth Road, Surbiton, Surrey, KT6 5QL.

**14. 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 30 June 1995. Details of this valuation are contained in the financial statements of Dairy Crest Group plc.

**PHILPOT DAIRY PRODUCTS LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**FOR THE FINANCIAL STATEMENTS**

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for the financial year.

The directors consider that, in preparing the financial statements on pages 3 to 10, the Company has used the going concern concept and appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

**PHILPOT DAIRY PRODUCTS LIMITED**  
**REPORT OF THE AUDITORS**  
**TO THE MEMBERS OF PHILPOT DAIRY PRODUCTS LIMITED**

We have audited the financial statements set out on pages 3 to 10 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 5.

**Respective responsibilities of directors and auditors**

As described on page 11 the Company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements 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 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 the affairs of the Company as at 31 March 1997 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young*  
Ernst & Young  
Chartered Accountants  
Registered Auditor  
London

2 June 1997