

879131

**REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31ST MARCH 1998**



PHILPOT DAIRY PRODUCTS LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 MARCH 1998

The directors present their annual report and the audited financial statements for the year ended 31 March 1998.

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 £899,000. The directors propose to pay a dividend of £895,000 and transfer the balance of £ 4,000 to reserves.

Shareholders' funds at the end of the year were £992,000.

DIRECTORS

The directors of the Company who served throughout the year were:-

W J Houlston
H Fox
K Lott
I C Laurie
W R Brown
C Bilbao

The interests of W J Houlston, 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 1998	At 1 April 1997
H. Fox	2,064	2,064
K. Lott	64	64
C. Bilbao	64	64

DIRECTORS (cont.)

	Options over Ordinary Shares	
	At 31 March 1998	At 1 April 1997
H. Fox	97,139 3,141*	97,139 1,157
K. Lott	19,017 3,141*	19,017 1,157
C. Bilbao	13,079 2,513*	13,079 926

* Savings related options accrued on savings at 31 March 1998

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. No share options were granted or exercised during the year except for savings related options.

H. Fox has rights to acquire 27,081 ordinary shares for a nominal price after 1 April 2000 and 17,716 ordinary shares at nominal price after 1 April 2001 subject to certain performance conditions being satisfied.

SUPPLIERS 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 1998 was 40 days

YEAR 2000.

In common with most companies the Company's computerised financial systems require modifications or replacement to accomodate the Year 2000 date change and thus avoid malfunction and commercial disruption. Furthermore the operation of the Company's business depends not only on the ability of its own computer systems to cope with the date change but to some degree on those of its suppliers and customers to handle the change. The Company has put in place a series of projects to ensure that all of its essential systems are Year 2000 compliant before the millennium. The Company has also initiated formal communications with its customers and suppliers on their plans to address the Year 2000 issue. It is not possible for any organisation to guarantee that all Year 2000 problems will be resolved because a level of failure may still occur. However the Company believes that it has proper procedures in place to address this matter and deal promptly with any failures or issues that arise.

IMPLEMENTATION OF THE EURO

The Company continues to keep the development's 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

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

1 June 1998

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 1998

	Note	1998 £000	1997 £000
Continuing Operations			
Turnover	1	75,411	58,834
Cost of sales		<u>(73,992)</u>	<u>(56,934)</u>
Gross profit		1,419	1,900
Administrative expenses		<u>(630)</u>	<u>(538)</u>
Profit on ordinary activities before taxation	2	789	1,362
Tax on profit on ordinary activities	4	<u>110</u>	<u>(449)</u>
Profit on ordinary activities after taxation		899	913
Proposed dividend	5	<u>(895)</u>	<u>(585)</u>
Retained profit	10	<u><u>4</u></u>	<u><u>328</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 1998

	Note	1998 £000	1997 £000
Fixed Assets			
Tangible assets	6	<u>41</u>	<u>35</u>
Current Assets			
Debtors	7	8,072	13,008
Cash		<u>4,102</u>	<u>3,915</u>
		12,174	16,923
<u>Creditors</u> - due within one year			
Other creditors	8	<u>(11,223)</u>	<u>(15,970)</u>
Net current assets		<u>951</u>	<u>953</u>
Total assets less current liabilities		<u>992</u>	<u>988</u>
Capital and reserves			
Called up equity share capital	9	100	100
Equity reserves:			
Profit and loss account	10	<u>892</u>	<u>888</u>
Shareholders' funds	11	<u>992</u>	<u>988</u>

W J Houliston

W J Houliston

The financial statements were approved by the directors on 1 June 1998

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 FRS8

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 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 1998

1. GEOGRAPHICAL ANALYSIS OF TURNOVER	1998	1997
	£000	£000
United Kingdom	1,125	1,584
Other European Union Countries	28,180	17,655
North and South America	40,767	33,068
Rest of World	<u>5,339</u>	<u>6,527</u>
	<u>75,411</u>	<u>58,834</u>
2. OPERATING PROFIT	1998	1997
	£000	£000
Operating profit is stated after charging:		
Depreciation	18	20
Auditors' remuneration	8	6
3. EMOLUMENTS OF DIRECTORS AND EMPLOYEES	1998	1997
	£000	£000
Directors' emoluments:		
Fees and management services	136	133
Performance related bonus.	<u>49</u>	<u>53</u>
	<u>185</u>	<u>186</u>
	1998	1997
	No	No
Members of defined benefit scheme	6	6

PHILPOT DAIRY PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 1998

3. EMOLUMENTS OF DIRECTORS & EMPLOYEES (CONT)	1998 No	1997 No
Average number of employees during the year	<u>8</u>	<u>8</u>
	1998 £000	1997 £000
Remuneration of employees, including directors:		
Wages and salaries	358	310
Social security costs	26	34
Other pension costs	<u>31</u>	<u>30</u>
	<u>415</u>	<u>374</u>
	1998 £000	1997 £000
4. TAXATION		
The taxation charge/(credit) for the year is made up as follows:		
Corporation Tax @ 31% (1997: 33%)	243	449
Adjustment in respect of prior years	(353)	-
	<u>(110)</u>	<u>449</u>
	1998 £000	1997 £000
5. DIVIDEND		
Proposed final dividend	<u>895</u>	<u>585</u>

PHILPOT DAIRY PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 1998

6. TANGIBLE ASSETS

	Office Equipment £000	Motor Vehicles £000	Total £000
Cost			
At 1 April 1997	26	57	83
Additions	-	24	24
Disposals	<u>-</u>	<u>(15)</u>	<u>(15)</u>
At 31 March 1998	<u><u>26</u></u>	<u><u>66</u></u>	<u><u>92</u></u>
Depreciation			
At 1 April 1997	(22)	(26)	(48)
Charge in the year	(3)	(15)	(18)
Disposals	<u>-</u>	<u>15</u>	<u>15</u>
At 31 March 1998	<u><u>(25)</u></u>	<u><u>(26)</u></u>	<u><u>(51)</u></u>
Net Book Value at 31 March 1998	<u><u>1</u></u>	<u><u>40</u></u>	<u><u>41</u></u>
Net Book Value at 31 March 1997	<u><u>4</u></u>	<u><u>31</u></u>	<u><u>35</u></u>

7. DEBTORS

	1998 £000	1997 £000
Due within one year		
Trade debtors:		
Due from IBAP	376	2,795
Other	<u>7,696</u>	<u>10,213</u>
	<u><u>8,072</u></u>	<u><u>13,008</u></u>

PHILPOT DAIRY PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 1998

8. CREDITORS - Due within one year	1998	1997
	£000	£000
Creditors		
Trade creditors	3,293	9,474
Corporation Tax	505	636
Amounts owed to parent undertaking	5,660	4,985
Dividend owed to parent undertaking	895	585
Other creditors	<u>870</u>	<u>290</u>
	<u>11,223</u>	<u>15,970</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 1997	888
Retained profit for year	<u>4</u>
At 31 March 1998	<u>892</u>

11. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	1998	1997
	£000	£000
Profit for the year	899	913
Dividends	<u>(895)</u>	<u>(585)</u>
Increase in shareholders' funds	4	328
Opening shareholders' funds	<u>988</u>	<u>660</u>
Closing shareholders' funds	<u>992</u>	<u>988</u>

PHILPOT DAIRY PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 1998

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 £2,103,000 (1997:£5,461,000)

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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young

Chartered Accountants

Registered Auditor

London

1 June 1998