

P.A.S. (Grantham) Limited

Annual report

for the year ended 30 June 1999

Registered no: 1568027



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P.A.S. (Grantham) Limited

Annual report for the year ended 30 June 1999

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Directors' report for the year ended 30 June 1999

The directors present their report and the audited financial statements for the year ended 30 June 1999.

Principal activity

The company's principal activity continues to be the manufacture and sale of frozen french fries and potato products.

Review of the business

The profit and loss account for the year is set out on page 6.

Both the level of business and the year end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

Dividends

The directors have paid the following dividend in respect of the year ended 30 June 1999:

	£'000
Ordinary dividend	
Interim paid	<u>4.000</u>

Research and development

The company is committed to research and development activity, to seek new product lines and sources of raw materials and to improve efficiency.

Market value of land and buildings

In the opinion of the directors, the current open market value on an existing use basis of the freehold land and buildings is £4,049,200 (1998: £4,049,200).

Charitable and political contributions

The contributions made by the company during the year for charitable purposes amounted to £3,134 (1998: £1,280). There were no political contributions (1998: £Nil).

Directors

The directors of the company at 30 June 1999, all of whom have been directors for the whole of the year ended on that date, unless otherwise stated, were:

H H McCain (Canada, Chairman)
A D McCain
A Milton
B Tetley
G Calder

In accordance with the articles of association, H H McCain and A Milton retire by rotation and, being eligible, offer themselves for re-election.

Directors' interests

According to the register required to be kept by section 325 of the Companies Act 1985, none of the directors of the company at 30 June 1999 had any interest in the shares of the company at any time during the year. As permitted by statutory instrument the register does not include details of interests of directors who are also directors of the parent company. Any such interests are disclosed in the directors' report of the parent company.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that 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 that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 June 1999. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Year 2000 and the Euro

The company has conducted a risk-based review of its computer systems and computer-controlled processes to identify those which could be affected by the Year 2000 issue and developed an implementation plan to test and rectify the faults. The company is replacing or updating the affected systems, in close collaboration with system suppliers. The cost of this work is being borne by the ultimate parent company and all business-critical work has been completed at the year end.

The company has adapted its commercial and financial processes so that its European operations can do business in the Euro further to its introduction in some countries on 1 January 1999. The capability to conduct business in national currencies will be retained as long as necessary. The costs associated with these changes are being borne by McCain Europa BV, the European parent company.

Auditors

A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting.

By order of the board

B. Tetley

B Tetley
Company Secretary

Date 26th Oct 1999

Report of the auditors to the members of P.A.S. (Grantham) Limited

We have audited the financial statements on pages 6 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, included as described on page 2 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 company's affairs at 30 June 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script, appearing to read 'PricewaterhouseCoopers', is written in dark ink.

**Chartered Accountants and Registered Auditors
Hull**

Date 29 October 1999

Profit and loss account for the year ended 30 June 1999

	Notes	1999 £'000	1998 £'000
Turnover	2	70,359	54,148
Cost of sales		<u>(57,576)</u>	<u>(46,269)</u>
Gross profit		12,783	7,879
Other operating expenses	3	<u>(4,251)</u>	<u>(3,470)</u>
Operating profit		8,532	4,409
Interest receivable		36	39
Interest payable and similar charges	6	<u>(304)</u>	<u>(389)</u>
Profit on ordinary activities before taxation	7	8,264	4,059
Taxation	8	<u>(2,611)</u>	<u>(1,071)</u>
Profit for the year		5,653	2,988
Dividend	9	<u>(4,000)</u>	<u>(6,361)</u>
Retained profit/(deficit) for the year	18	<u>1,653</u>	<u>(3,373)</u>

All of the activities of the company are continuing.



The company has no recognised gains and losses other than the above profits and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit/(deficit) for the year stated above and their historical cost equivalents.

Balance sheet at 30 June 1999

	Notes	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	10	<u>15,346</u>	<u>16,479</u>
Current assets			
Stocks	11	5,074	6,747
Debtors: amounts falling due within one year	12	11,512	10,227
Debtors: amounts falling due after one year	12	8	365
Cash at bank and in hand		<u>7</u>	<u>4</u>
		16,601	17,343
Creditors: amounts falling due within one year	13	<u>(11,585)</u>	<u>(18,684)</u>
Net current assets/(liabilities)		<u>5,016</u>	<u>(1,341)</u>
Total assets less current liabilities		<u>20,362</u>	<u>15,138</u>
Creditors: amounts falling due after more than one year	14	(9,600)	(6,000)
Provisions for liabilities and charges	15	(2,611)	(2,627)
Deferred income	16	<u>(20)</u>	<u>(33)</u>
		<u>(12,231)</u>	<u>(8,660)</u>
Net assets		<u>8,131</u>	<u>6,478</u>
Capital and reserves			
Called up share capital	17	-	-
Profit and loss account	18	<u>8,131</u>	<u>6,478</u>
Equity shareholders' funds	19	<u>8,131</u>	<u>6,478</u>

The financial statements on pages 6 to 17 were approved by the board of directors on
26th Oct 1999 and were signed on its behalf by:

G Calder 
) Directors
B Tetley 

**Notes to the financial statements
for the year ended 30 June 1999****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Cash flow

The company is a wholly owned subsidiary of McCain Foods (GB) Limited and the cash flows of the company are included in the consolidated cash flow statement of McCain Europa BV. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 from the requirement to publish a cash flow statement.

Research and development expenditure

All expenditure relating to research and development activities is written off to the profit and loss account as incurred.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned.

The annual depreciation rates used for this purpose are:

	Annual rate %
Freehold land	Nil
Freehold buildings	5
Plant and refrigeration equipment	6.67
Motor vehicles	33.33
Furniture, fittings and office equipment	20
Capital work in progress	Nil

Stocks

Stocks are stated at the lower of cost and net realisable value. The cost of manufactured products comprises all direct expenditure and production overheads based on the normal level of activity. The cost of goods purchased for resale and engineering spares is determined on a first in first out basis. Net realisable value is the price at which the stock can be sold in the normal course of business after allowing for the costs of realisation. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Government grants

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related assets' useful lives. Other grants are credited to the profit and loss account when received.

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at the rate of exchange ruling at the end of the financial year. Transactions during the year denominated in foreign currencies are translated at the exchange rate ruling at the transaction date. Differences on translation are included in the profit and loss account.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods supplied.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension costs

The company is a member of the McCain Foods (GB) Limited Pension and Life Assurance Scheme. This scheme is of the defined benefit, final salary type. It is self-administered and funded to cover future pension liabilities (including expected future earnings and pension increases) in respect of service up to the balance sheet date. It is subject to independent actuarial valuations at least every three years, on the basis of which the qualified actuary certifies the rates of the employer's contributions which, together with the specified contributions payable by the employees and proceeds from the scheme's assets, are sufficient to fund the benefits payable under the scheme.

The expected cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services. The difference between the charge to the profit and loss account and contributions paid to the scheme is shown as an asset or liability in the balance sheet. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

2 Turnover

The analysis by geographical area of the company's turnover by destination is set out below:

	1999 £'000	1998 £'000
Turnover by destination		
United Kingdom	64,959	50,678
Rest of Europe	<u>5,400</u>	<u>3,470</u>
	<u>70,359</u>	<u>54,148</u>

All of the company's turnover originates in the United Kingdom.

3 Other operating expenses

	1999 £'000	1998 £'000
Distribution costs	1,720	1,922
Administrative expenses	<u>2,531</u>	<u>1,548</u>
	<u>4,251</u>	<u>3,470</u>

4 Directors' emoluments

The emoluments of H H McCain are paid by the ultimate parent company, McCain Foods Group Inc, and are disclosed in the financial statements of that company.

The emoluments paid to the remaining directors were:

	1999 £'000	1998 £'000
Aggregate emoluments (including benefits in kind and annual incentive payments)	<u>282</u>	<u>232</u>

Aggregate emoluments disclosed above include amounts paid to the highest paid director, as follows:

	1999 £'000	1998 £'000
Aggregate emoluments	<u>150</u>	<u>93</u>
Defined benefit pension schemes:		
Accrued pension at end of year	<u>21</u>	<u>19</u>

All five of the directors are members of a group defined benefit pension scheme (see note 22).

5 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	1999 Number	1998 Number
By function:		
Production	334	222
Selling and distribution	5	3
Administration	<u>41</u>	<u>16</u>
	<u>380</u>	<u>241</u>

	1999 £'000	1998 £'000
Staff costs (for the above persons):		
Wages and salaries	6,359	4,690
Social security costs	511	390
Other pension costs (see note 22)	<u>173</u>	<u>147</u>
	<u>7,043</u>	<u>5,227</u>

6 Interest payable and similar charges

	1999 £'000	1998 £'000
On loans from group companies	290	381
On bank loans and overdrafts	<u>14</u>	<u>8</u>
	<u>304</u>	<u>389</u>

7 Profit on ordinary activities before taxation

	1999 £'000	1998 £'000
Profit on ordinary activities before taxation is stated after crediting:		
Amortisation of government grants	<u>13</u>	<u>14</u>
And after charging:		
Depreciation of tangible owned fixed assets	1,609	1,391
Auditors' remuneration for:		
Audit	17	11
Other services	-	-
Loss on disposal of tangible fixed assets	196	9
Hire of plant and machinery – operating leases	<u>40</u>	<u>36</u>

8 Taxation

	1999 £'000	1998 £'000
United Kingdom corporation tax at 31% (1998: 32%):		
Current	2,640	1,272
Deferred	(67)	21
(Over)/under provision in respect of prior years:		
Current	(13)	(150)
Deferred	<u>51</u>	<u>(72)</u>
	<u>2,611</u>	<u>1,071</u>

9 Dividend

	1999 £'000	1998 £'000
Ordinary:		
Interim paid of £40,000 per share (1998: £63,610 per share)	<u>4,000</u>	<u>6,361</u>

10 Tangible fixed assets

	Freehold land £'000	Freehold buildings £'000	Plant, equipment and motor vehicles £'000	Capital work in progress £'000	Total £'000
Cost					
At 1 July 1998	305	2,074	26,328	351	29,058
Additions	-	-	140	615	755
Transfers between categories	-	50	467	(517)	-
Disposals	<u>-</u>	<u>(2)</u>	<u>(1,625)</u>	<u>-</u>	<u>(1,627)</u>
At 30 June 1999	<u>305</u>	<u>2,122</u>	<u>25,310</u>	<u>449</u>	<u>28,186</u>
Depreciation					
At 1 July 1998	-	923	11,656	-	12,579
Charge for year	-	91	1,518	-	1,609
Intra-group transfers	-	-	34	-	34
Eliminated in respect of disposals	<u>-</u>	<u>(1)</u>	<u>(1,381)</u>	<u>-</u>	<u>(1,382)</u>
At 30 June 1999	<u>-</u>	<u>1,013</u>	<u>11,827</u>	<u>-</u>	<u>12,840</u>
Net book value					
At 30 June 1999	<u>305</u>	<u>1,109</u>	<u>13,483</u>	<u>449</u>	<u>15,346</u>
Net book value					
At 30 June 1998	<u>305</u>	<u>1,151</u>	<u>14,672</u>	<u>351</u>	<u>16,479</u>

11 Stocks

	1999 £'000	1998 £'000
Raw materials and consumables	1,527	1,984
Finished goods	<u>3,547</u>	<u>4,763</u>
	<u>5,074</u>	<u>6,747</u>

12 Debtors

	1999 £'000	1998 £'000
Amounts falling due within one year:		
Trade debtors	8,711	6,655
Amounts owed by group undertakings	2,355	2,717
Other debtors	384	474
Prepayments and accrued income	<u>62</u>	<u>381</u>
	<u>11,512</u>	<u>10,227</u>
Amounts falling due after more than one year:		
Other debtors	8	40
Prepayments and accrued income	<u>-</u>	<u>325</u>
	<u>8</u>	<u>365</u>

13 Creditors: amounts falling due within one year

	1999 £'000	1998 £'000
Bank overdraft	55	1,405
Trade creditors	4,413	3,907
Amounts owed to group undertakings	3,045	10,861
Corporation tax	2,640	1,288
Other taxation and social security	180	186
Other creditors	363	276
Accruals and deferred income	<u>889</u>	<u>761</u>
	<u>11,585</u>	<u>18,684</u>

14 Creditors: amounts falling due after more than one year

	1999 £'000	1998 £'000
Amount owed to group undertakings	<u>9,600</u>	<u>6,000</u>

This balance represents a loan from MF Group Limited, and is unsecured with no fixed date of repayment. MF Group Limited has indicated that it has no intention to demand repayment of the loan within the next twelve months. Interest is not to be charged on the loan.

15 Provisions for liabilities and charges

	Deferred taxation (see below) £'000
At 1 July 1998	2,627
Profit and loss account	<u>(16)</u>
At 30 June 1999	<u>2,611</u>

Deferred taxation

Provision for deferred taxation is made in the financial statements as follows:

	Amount provided	
	1999 £'000	1998 £'000
Tax effect of timing differences because of:		
Excess of capital allowances over depreciation	2,630	2,646
Other	<u>(19)</u>	<u>(19)</u>
	<u>2,611</u>	<u>2,627</u>

There are no amounts unprovided.

16 Deferred income

Government grants:	£'000
At 1 July 1998	33
Amortisation for the year	<u>(13)</u>
At 30 June 1999	<u>20</u>

17 Called-up share capital

	1999 £	1998 £
Authorised		
100 (1998: 100) ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
100 (1998: 100) ordinary shares of £1 each	<u>100</u>	<u>100</u>

18 Reserves

	Profit and loss account £'000
At 1 July 1998	6,478
Profit for the year	<u>1,653</u>
At 30 June 1999	<u>8,131</u>

19 Reconciliation of movements in equity shareholders' funds

	1999 £'000	1998 £'000
Profit for the financial year	5,653	2,988
Dividends	<u>(4,000)</u>	<u>(6,361)</u>
Net increase/(decrease) in equity shareholders' funds	1,653	(3,373)
Opening equity shareholders' funds	<u>6,478</u>	<u>9,851</u>
Closing equity shareholders' funds	<u>8,131</u>	<u>6,478</u>

20 Financial commitments

At 30 June 1999, the company had annual commitments under non-cancellable operating leases as follows:

	1999 £'000	1998 £'000
Expiring between two and five years	<u>42</u>	<u>42</u>

The company is committed under contracts in the normal course of business for the forward purchase of potatoes.

21 Capital commitments

	1999 £'000	1998 £'000
Capital expenditure that has been contracted for but not provided for in the financial statements	<u>-</u>	<u>30</u>

22 Pension and similar obligations

The company is a member of a defined benefit, funded pension scheme in the United Kingdom operated by the parent company McCain Foods (GB) Limited.

The pension cost has been assessed in accordance with the advice of a qualified independent actuary, using the projected unit method, on the basis that expected proceeds allow for dividends to grow at a rate of 4.75% per annum. The latest actuarial assessment of the scheme was at 1 July 1997. The main long term actuarial assumptions were that the rate of investment return would be 8.75% per annum, that pensionable salary increases would average 6.75% per annum and that present and future pensions would increase at the rate of 4% per annum. The market value of the assets of the scheme on 1 July 1997, was £42,956,211 and the actuarial value of the assets was sufficient to cover 109% of the benefits that had accrued to the members at that time.

The pension cost for the year represents contributions payable by the company to the scheme and amounted to £173,000 (1998: £147,000).

23 Contingent liabilities

The company has given an unlimited composite cross guarantee to National Westminster Bank plc in respect of all monies owed to the bank by the company's immediate parent company and fellow subsidiaries, which at 30 June 1999 amounted to £nil (1998: £2,510,000).

24 Related party disclosures

The company has taken advantage of the exemption allowed by Financial Reporting Standard No 8 "Related Party Disclosures" not to disclose details of transactions with McCain group companies.

There are no other transactions which fall to be disclosed under the terms of FRS 8.

25 Ultimate and immediate parent companies and controlling party

The directors regard McCain Foods Group Inc, a company registered in Canada, as the ultimate parent company and controlling party.

According to the register kept by the company, McCain Foods (GB) Limited, a company registered in England and Wales, has a 100% interest in the equity capital of the company as at 30 June 1999.

McCain Europa BV, a company registered in The Netherlands, is the company leading the smallest group of which the company is a member and for which consolidated financial statements are drawn up. Copies of this company's consolidated financial statements may be obtained from McCain Europa BV, Oranjeplaatweg 4A, 4456 ZA Lewedorp, The Netherlands.