Richmond Operations Limited

Directors' report and financial statements

Registered number ~~1~~1665242

29 September 2002

Contents

Directors' report

The Directors present their annual report and the audited financial statements year, comprising 52 weeks, ended on 29 September 2002.

Principal activities and business review

The principal activity of the company is the manufacture of ice cream. Details of the results for the year are given in the profit and loss account on page 6.

Dividend

The directors recommend the payment of a final dividend of £2,000,000 (2001: £1,000,000). An interim dividend of £1,000,000 was paid during the year.

Directors and directors' interests

The directors who held office during the year, together with interests in the shares of Richmond Foods plc, the ultimate parent company, at the end of the year were as follows:

	At 29 September 2002	At 30 September 2001
	Ordinary shares	Ordinary shares
JS Lambert	**961,516**	906,810
AJ Waldron	**135,801**	128,583
MJ Fraine	**68,824**	22,814

None of the directors had any beneficial interest in the shares of the company at any time during the year.

Creditor payment policy

The Company's current policy concerning the payment of its trade creditors is to agree terms and conditions for its transactions with suppliers and to abide by those terms, subject to those terms and conditions being met by the supplier. The seasonality of purchasing is such that calculations of the number of creditor days would prove meaningless.

Employees

The Company supports the employment of disabled persons whenever their aptitudes and abilities allow. Where a person becomes disabled during employment, attempts are made to continue his or her employment and to arrange appropriate retaining or transfer if possible. During the year, the Company has continued it practice of committing and communicating with its employees when decisions are taken which are likely to affect their interests.

Post balance sheet

On 30 September 2002 the trade, assets and liabilities of the company were transferred to Richmond Ice Cream Limited a fellow group company.

Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming AGM.

By order of the board

AB Finneran
Secretary

Richmond House
Leeming Bar
Northallerton
North Yorkshire

28 July 2003

Statement of directors' responsibilities

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;
- 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have a 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.

KPMG

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Report of the independent auditors to the members of Richmond Operations Limited

We have audited the financial statements on pages 6 to 20.

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 auditor's 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

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by 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 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.

Basis of audit 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 as at 29 September 2002 and of its loss for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc 28 July 2003
Chartered Accountants
Registered Auditor
Leeds

Profit and loss account

for the year ended 29 September 2002

	Notes	**52 weeks ended 29 September 2002**	52 weeks ended 30 September 2001		
			Before Exceptionals	Exceptionals (note 3)	Total
		£000	£000	£000	£000
Turnover	*2*	**48,564**	28,758	-	28,758
Cost of sales		**(36,215)**	(21,847)	-	(21,847)
Gross profit		**12,349**	6,911	-	6,911
Distribution costs		**(4,170)**	(2,773)	-	(2,773)
Administrative expenses		**(4,829)**	(1,360)	(80)	(1,440)
Operating profit/(loss)		**3,350**	2,778	(80)	2,698
Interest payable and similar charges	*7*	**(313)**	(141)	-	(141)
Profit/(loss) on ordinary activities before taxation	*4-7*	**3,037**	2,637	(80)	2,557
Tax on profit/(loss) on ordinary activities	*8*	**(1,188)**	(610)	24	(586)
Profit/(loss) for the financial year		**1,849**	2,027	(56)	1,971
Dividends	*9*	**(3,000)**	(1,000)	-	(1,000)
Retained (loss)/profit transferred (from)/to reserves	*17*	**(1,151)**	1,027	(56)	971

The company had no recognised gains or losses in either year other than the (loss)/profit for the year. Accordingly, no statement of total recognised gains and losses is provided.

There is no difference between the results as disclosed in the profit and loss account and the results on an unmodified historic cost basis.

Balance sheet
as at 29 September 2002

	Note	29 September 2002 £000	29 September 2002 £000	30 September 2001 £000	30 September 2001 £000
Fixed assets					
Tangible assets	*10*		**9,629**		7,415
Current assets					
Stocks	*11*	**5,981**		4,045	
Debtors	*12*	**19,540**		13,372	
Cash in hand		**598**		1	
		26,119		17,418	
Creditors: amounts falling due within one year	*13*	**(30,544)**		(19,902)	
Net current liabilities			**(4,425)**		(2,484)
Total assets less current liabilities			**5,204**		4,931
Creditors: amounts falling due after more than one year	*14*		**(2,182)**		(777)
Provisions for liabilities and charges	*15*		**(747)**		(728)
Net assets			**2,275**		3,426
Equity shareholders' funds					
Called up share capital	*16*		**-**		-
Profit and loss account	*17*		**2,275**		3,426
			2,275		3,426

These financial statements were approved by the board of Directors on 28 July 2003 and were signed on its behalf by:

AB Finneran
Secretary

Reconciliation of movements in shareholders' funds
for the year ended 29 September 2002

	52 weeks ended 29 September 2002 £000	52 weeks ended 30 September 2001 £000
Profit for the financial year	**1,849**	1,971
Dividends	**(3,000)**	(1,000)
Retained (loss)/profit for the year	**(1,151)**	971
Opening shareholders' funds	**3,426**	2,455
Closing shareholders' funds	**2,275**	3,426

Notes
(forming part of the financial statements)

1 Accounting policies

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Companies financial statements. During the year the company adopted FRS 19, Deferred Tax, details of which are provided in the taxation policy note.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain freehold land and buildings.

As the company is a wholly owned subsidiary undertaking of the ultimate parent undertaking, Richmond Foods plc, group financial statements have not been prepared. Accordingly these financial statements present information, about Richmond Ice Cream Limited as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 (revised 1996), the company is exempt from the requirement to prepare a cash flow statement of the grounds that it is a wholly subsidiary undertaking.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	2% - 2.5% per annum
Plant and machinery	-	4%-20% per annum
Fixtures and fittings	-	20% - 25% per annum
Motor vehicles	-	20% - 25% per annum
Computer equipment	-	20% - 25% per annum
Freezer units	-	4 years sum of digits

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the year of the lease.

Pension costs

The company operates a defined contribution pension scheme. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting year.

Notes *(continued)*

1 Accounting policies *(continued)*

Research and development expenditure

Expenditure on research and development is written off against profits in the year.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the current purchase price is used. For work in progress and finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

Deferred taxation is provided on timing differences, arising from the difference treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise. The company uses the full provision method for deferred taxation, hence complies with FRS 19 and no prior period adjustment is required.

Taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. The Group has implemented FRS19 relating to Deferred Taxation for the first time. Except where otherwise required by accounting standards, full provision is made, without discounting, for all timing differences which have arisen but not reversed at the balance sheet date.

Related party transactions

Advantage has been taken of the exemption in the Financial Reporting Standard No. 8 'Related Party Disclosures' not to disclose any transactions between the Company and Richmond Foods PLC, the ultimate parent company, and its subsidiaries, as these have been eliminated on consolidation in the financial statements of Richmond Foods PLC.

Foreign currency transactions

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss.

Notes *(continued)*

2 Analysis of turnover

Turnover represents amounts derived from the provision of goods and services excluding inter company sales and value added tax. The turnover and pre-tax profit are attributable to the manufacture and sale of ice cream. All turnover is derived from one geographic origin and one geographic destination.

3 Exceptional Item

	52 weeks ended 29 September 2002	52 weeks ended 30 September 2001
Restructuring costs	**-**	80

The exceptional item in 2001 relates to the relocation of assets to the Leeming Bar site in respect of the closure of the Ashford location.

4 Profit on ordinary activities before taxation

	52 weeks ended 29 September 2002 £000	52 weeks ended 30 September 2001 £000
Profit on ordinary activities before taxation is stated after charging:		
Operating leases - plant & machinery	**103**	130
- other	**66**	80
Depreciation and other amounts written off tangible and intangible fixed assets:		
Owned	**1,112**	720
Leased	**338**	476
Auditors remuneration	**2**	2

Notes *(continued)*

5 Remuneration of directors

	52 weeks ended 29 September 2002 £000	52 weeks ended 30 September 2001 £000
Emoluments	**225**	182
Pension contributions	**23**	22
Benefits in kind	**2**	2
	250	206

The emoluments of the highest paid Director were £111,065 *(2001: £93,644)*. Contributions paid to a money purchase scheme for the highest paid Director were £11,613 *(2001: £11,009)*.

The number of Directors for which contributions were paid to money purchase schemes was two *(2001: two)*.

6 Staff numbers and costs

The average number of persons employed by the company (including Directors) during the year, analysed by category, was as follows:

	52 weeks ended 29 September 2002	52 weeks ended 30 September 2001
Production	**279**	187
Sales	**16**	9
Administration	**14**	12
	309	208

The aggregate payroll costs of these persons were as follows:

	52 weeks ended 29 September 2002 £000	52 weeks ended 30 September 2001 £000
Wages and salaries	**4,904**	3,004
Social security costs	**407**	262
Other pension costs (see note 19)	**100**	90
	5,411	3,356

Notes *(continued)*

7 Interest payable and similar charges

	52 weeks ended 29 September 2002 £000	52 weeks ended 30 September 2001 £000
On bank loans and overdrafts wholly repayable within five years	221	36
Finance charges payable in respect of finance leases and similar hire purchase contracts	92	105
	313	141

8 Taxation

	52 weeks ended 29 September 2002 £000	52 weeks ended 30 September 2001 £000
UK corporation tax at 30% *(2001: 30%)*	1,091	510
Deferred tax (note 15)	99	57
	1,190	567
Adjustments to prior years' tax provisions		
Corporation tax	(3)	16
Deferred tax (note 15)	1	3
	1,188	586

Notes *(continued)*

8 Taxation (continued)

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

	2002 **£'000**	2001 £'000
Profit on ordinary activities before tax	**3,037**	2,557
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	**911**	767
Expenses not deductible for tax purposes	**825**	35
Depreciation of assets not qualifying for capital allowances	**-**	20
Utilisation of tax losses	**(546)**	(255)
Adjustment to tax charge in respect of previous periods	**(3)**	16
Capital allowances in excess of depreciation and other timing differences	**(99)**	(57)
Current tax charge for period	**1,088**	526

9 Dividends

	52 weeks ended 29 September 2002 £000	52 weeks ended 30 September 2001 £000
Dividend proposed	**2,000**	-
Dividend paid	**1,000**	1,000
	3,000	1,000

Notes *(continued)*

10 Tangible fixed assets

	Freehold land and buildings £000	Leasehold land and buildings £000	Plant and machinery £000	Office equipment £000	Motor vehicles £000	Total £000
Cost or valuation						
At beginning of year	813	937	11,438	1,005	22	14,215
Additions	911	-	2,146	34	-	3,091
Transfer from fellow subsidiary	-	-	624	69	-	693
At end of year	1,724	937	14,208	1,108	22	17,999
Depreciation						
At beginning of year	1	428	5,587	768	16	6,800
Charge for year	23	62	1,200	163	2	1,450
Transfer from fellow subsidiary	-	-	111	9	-	120
At end of year	24	490	6,898	940	18	8,370
Net book value						
At 29 September 2002	**1,700**	**447**	**7,310**	**168**	**4**	**9,629**
At 30 September 2001	812	509	5,851	237	6	7,415

The net book value of land and buildings comprises:

	29 September 2002 £000	30 September 2001 £000
Short leasehold	**447**	509

Included in the total net book value of fixed assets is £3,039,000 *(2001: £1,525,000)* in respect of assets held under finance leases. Depreciation for the year on assets held under finance leases was £338,000 *(2001: £476,000)*.

11 Stocks

	29 September 2002 £000	30 September 2001 £000
Engineering stock	**225**	211
Raw materials and consumables	**598**	1,069
Finished goods and goods for resale	**5,158**	2,765
	5,981	4,045

In the opinion of the directors, there is no significant difference in the values above and their replacement values.

Notes *(continued)*

12 Debtors

	29 September 2002 £000	30 September 2001 £000
Trade debtors	**15,128**	11,047
Other debtors	**155**	156
Amounts owed by group undertakings	**3,824**	1,691
Prepayments and accrued income	**391**	478
Corporation tax	**42**	-
	19,540	13,372

13 Creditors: amounts falling due within one year

	29 September 2002 £000	30 September 2001 £000
Bank overdraft	**-**	1,020
Obligations under finance leases and similar hire purchase contracts (note 14)	**395**	629
Trade creditors	**8,188**	4,441
Corporation tax	**-**	1,118
Other taxes and social security	**3,418**	2,487
Other creditors	**222**	102
Amounts owed to group undertakings	**13,260**	8,574
Accruals and deferred income	**3,061**	531
Dividend	**2,000**	1,000
	30,544	19,902

14 Creditors: amounts falling due after more than one year

	29 September 2002 £000	30 September 2001 £000
Obligations under finance leases and similar hire purchase contracts	**2,182**	777

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	29 September 2002 £000	30 September 2001 £000
Within one year	**395**	629
In the second to fifth year	**2,182**	777
	2,577	1,406

Notes *(continued)*

15 Provisions for liabilities and charges

	29 September 2002 £000	30 September 2001 £000
Restructuring provision	-	80
Deferred taxation	747	648
	747	728

Restructuring provision

	29 September 2002 £000	30 September 2001 £000
Balance brought forward	80	-
Utilised in the year	(80)	80
Balance carried forward	-	80

	29 September 2002 £000	30 September 2001 £000
Deferred taxation		
Balance brought forward	648	588
Adjustment relating to prior years	1	3
	649	591
Current year charge	98	57
Balance carried forward	747	648

There are no amounts of unprovided deferred tax.

Notes *(continued)*

15 Provisions for liabilities and charges *(continued)*

The amounts provided in the accounts are as follows:

	29 September 2002 £000	30 September 2001 £000
Capital allowances in advance of depreciation	**648**	649
Other timing differences	**99**	(1)
	747	648

16 Called up share capital

	Authorised No.	**Authorised £**	**Allotted & fully paid No.**	**Allotted & fully paid £**
At 30 September 2001 and 29 September 2002				
Ordinary shares of £1 each	**100**	**100**	**2**	**2**

17 Reserves

	Profit and loss account £000
At beginning of year	**3,426**
Loss for the financial year	**(1,151)**
At end of year	**2,275**

Notes (continued)

18 Commitments

i) Capital commitments which have been contracted for at the end of the year and for which no provision has been made are £958,000 *(2001: £2,150,000).*

ii) Commitments under forward orders for raw material and packaging purchases for which no provision has been made amounted to £2,027,000 *(2001: £1,973,000)* at the end of the year.

iii) Annual commitments under non-cancellable operating leases are as follows:

	2002 Land and buildings	**2002 Other leases**	2001 Land and buildings	2001 Other leases
Operating leases which expire	**-**	**-**	-	-
Within one year into the second		**89**	-	86
with year inclusive one five years	**-**			
Over five year	**70**	**-**	70	-
	70	**89**	70	86

19 Pension scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge for the year represents contributions payable by the company to the scheme and amounted during the year to £100,000 *(2001: £90,000).*

Contributions amounting to £25,000 were payable to the fund at 29 September 2002 *(2001: £41,000).*

20 Post balance sheet event

On 30th September 2002 the company transferred it's trade, assets and liabilities to Richmond Ice Cream Limited, a fellow group company.

21 Related party disclosure and ultimate parent undertaking

The company is controlled by and is a subsidiary undertaking of Richmond Foods plc incorporated in Great Britain. The consolidated accounts of the group are available to the public and may be obtained from:

Richmond Foods plc
Richmond House
Leeming Bar
Northallerton
North Yorkshire
DL7 9UL