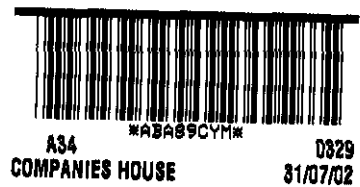


Richmond Operations Limited

Directors' report and financial statements

30 September 2001

Registered number 1665242



Directors' report and financial statements

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Directors' report

The Directors present their annual report and the audited financial statements year, comprising 52 weeks, ended on 30 September 2001.

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 4.

Dividend

The directors recommend the payment of a dividend of £1,000,000 (2000: £1,000,000). This dividend had not been paid at the year end.

Directors and directors' interests

The directors who held office during the year were as follows:

JS Lambert
AJ Waldron
MJ Fraine

None of the directors had any beneficial interest in the shares of the company at any time during the year. Mr JS Lambert is also a director of the ultimate parent company, Richmond Foods plc, and his interest in that company is disclosed in that company's financial statements.

AJ Waldron and M J Fraine held 128,583 (2000:128,583) and 22,814 (2000:22,814) ordinary shares respectively in Richmond Foods plc at the year end.

Creditor payment policy

The Company's current policy concerning the payment of its trade creditors which applied throughout the year whilst trading, 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.

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 November 2001

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 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 4 to 18.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, 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 30 September 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Kary Anne He.

KPMG Audit Plc
*Chartered Accountants
Registered Auditor
Leeds*

28 November 2001

Profit and loss account
for the year ended 30 September 2001

		52 weeks ended 30 September 2001			53 weeks ended
		Before	Exceptionals		1 October
	Note	Exceptionals	(note 3)	Total	2000
		£000	£000	£000	£000
Turnover	2	28,758	-	28,758	29,905
Cost of sales		(21,847)	-	(21,847)	(22,146)
Gross profit		6,911	-	6,911	7,759
Distribution costs		(2,773)	-	(2,773)	(3,019)
Administrative expenses		(1,360)	(80)	(1,440)	(1,355)
Operating profit		2,778	(80)	2,698	3,385
Interest payable and similar charges	7	(141)	-	(141)	(181)
Profit on ordinary activities before taxation	4-7	2,637	(80)	2,557	3,204
Tax on profit on ordinary activities	8	(610)	24	(586)	(609)
Profit for the financial year		2,027	(56)	1,971	2,595
Dividends	9	(1,000)	-	(1,000)	(1,000)
Retained profit transferred to reserves	17	1,027	(56)	971	1,595

The company had no recognised gains or losses in either year other than the profit for the year.

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 30 September 2001

	Note	30 September 2001		1 October 2000	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10		7,415		5,391
			<hr/>		<hr/>
			7,415		5,391
Current assets					
Stocks	11	4,045		2,899	
Debtors	12	13,372		8,154	
Cash in hand		1		2,779	
		<hr/>		<hr/>	
		17,418		13,832	
Creditors: amounts falling due within one year	13	(19,902)		(15,281)	
		<hr/>		<hr/>	
Net current liabilities			(2,484)		(1,449)
			<hr/>		<hr/>
Total assets less current liabilities			4,931		3,942
Creditors: amounts falling					
due after more than one year	14		(777)		(899)
			<hr/>		<hr/>
Provisions for liabilities and charges	15		(728)		(588)
			<hr/>		<hr/>
Net assets			3,426		2,455
			<hr/>		<hr/>
Equity shareholders' funds					
Called up share capital	16		-		-
Profit and loss account	17		3,426		2,455
			<hr/>		<hr/>
			3,426		2,455
			<hr/>		<hr/>

These financial statements were approved by the board of Directors on 28 November 2001 and were signed on its behalf by:

AJ Waldron
Director



Reconciliation of movements in shareholders' funds
for the year ended 30 September 2001

	52 weeks ended 30 September 2001 £000	53 weeks ended 1 October 2000 £000
Profit for the financial year	1,971	2,595
Dividends	(1,000)	(1,000)
	<hr/>	<hr/>
Retained profit for the year	971	1,595
Opening shareholders' funds	2,455	860
	<hr/>	<hr/>
Closing shareholders' funds	3,426	2,455
	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

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	-	50 years
Leasehold land and buildings	-	life of lease
Plant and machinery	-	5 - 10 years
Motor vehicles	-	4 years

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

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

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.

	52 weeks ended 30 September 2001 £000	53 weeks ended 1 October 2000 £000
Geographical analysis of turnover:		
United Kingdom	28,758	29,888
European and other exports	-	17
	<hr/> 28,758 <hr/>	<hr/> 29,905 <hr/>

3. Exceptional Item

	52 weeks ended 30 September 2001	53 weeks ended 1 October 2000
Restructuring costs	80	-
	<hr/>	<hr/>

The exceptional item is a provision for the relocation of assets to the Leeming bar site in respect of the closure of the Ashford location.

Notes (continued)

4 Profit on ordinary activities before taxation

	52 weeks ended 30 September 2001 £000	53 weeks ended 1 October 2000 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Operating leases - plant & machinery	130	130
- other	80	80
Depreciation and other amounts written off tangible and intangible fixed assets:		
Owned	720	564
Leased	476	551
Loss on sale of fixed assets	-	(2)
Auditors remuneration	2	-
	<hr/>	<hr/>

5 Remuneration of Directors

	52 weeks ended 30 September 2001 £000	53 weeks ended 1 October 2000 £000
Emoluments	182	189
Pension contributions	22	21
Benefits in kind	2	2
	<hr/>	<hr/>
	206	212
	<hr/>	<hr/>

The emoluments of the highest paid Director were £93,644 (2000: £78,250). Contributions paid to a money purchase scheme for the highest paid Director were £11,009 (2000: £7,825).

The number of Directors for which contributions were paid to money purchase schemes was two (2000: four).

Notes (continued)

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 30 September 2001	53 weeks ended 1 October 2000
Production	187	196
Sales	9	4
Administration	12	11
	<hr/> 208 <hr/>	<hr/> 211 <hr/>

The aggregate payroll costs of these persons were as follows:

	52 weeks ended 30 September 2001 £000	53 weeks ended 1 October 2000 £000
Wages and salaries	3,004	3,047
Social security costs	262	257
Other pension costs (see note 19)	90	56
	<hr/> 3,356 <hr/>	<hr/> 3,360 <hr/>

Notes (continued)

7 Interest payable and similar charges

	52 weeks ended 30 September 2001 £000	53 weeks ended 1 October 2000 £000
On bank loans and overdrafts wholly repayable within five years	36	142
Finance charges payable in respect of finance leases and similar hire purchase contracts	105	39
	<u>141</u>	<u>181</u>

8 Taxation

	52 weeks ended 30 September 2001 £000	53 weeks ended 1 October 2000 £000
UK corporation tax at 30% (2000: 30%)	510	609
Deferred tax	57	-
	<u>567</u>	<u>609</u>
Adjustments to prior years' tax provisions		
Corporation tax	16	-
Deferred tax	3	-
	<u>586</u>	<u>609</u>

9 Dividends

	52 weeks ended 30 September 2001 £000	53 weeks ended 1 October 2000 £000
Dividend paid	1,000	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
<i>Cost or valuation</i>						
At beginning of year	11	937	8,913	899	22	10,782
Additions	802	-	2,035	106	-	2,943
Disposals	-	-	-	-	(38)	(38)
Transfer from fellow subsidiary	-	-	490	-	38	528
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	813	937	11,438	1,005	22	14,215
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>						
At beginning of year	-	360	4,436	578	17	5,391
Charge for year	1	68	934	190	3	1,196
Disposals	-	-	-	-	(10)	(10)
Transfer from fellow subsidiary	-	-	217	-	6	223
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1	428	5,587	768	16	6,800
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>						
At 30 September 2001	812	509	5,851	237	6	7,415
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 October 2000	11	577	4,477	321	5	5,391
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Included within land and buildings and plant and machinery is £2,200,000 which is in respect of the new factory extension in the course of construction which has not been depreciated.

Notes (continued)

10 Tangible fixed assets (continued)

The net book value of land and buildings comprises:

	30 September 2001 £000	1 October 2000 £000
Short leasehold	509	577

Included in the total net book value of fixed assets is £1,525,000 (2000: £1,357,000) in respect of assets held under finance leases. Depreciation for the year on assets held under finance leases was £476,000 (2000: £551,000).

11 Stocks

	30 September 2001 £000	1 October 2000 £000
Engineering stock	211	211
Raw materials and consumables	1,069	995
Finished goods and goods for resale	2,765	1,693
	<u>4,045</u>	<u>2,899</u>

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

12 Debtors

	30 September 2001 £000	1 October 2000 £000
Trade debtors	11,047	5,677
Other debtors	156	196
Amounts owed by group undertakings	1,691	1,837
Prepayments and accrued income	478	444
	<u>13,372</u>	<u>8,154</u>

Notes (continued)

13 Creditors: amounts falling due within one year

	30 September 2001 £000	1 October 2000 £000
Bank overdraft	1,020	-
Obligations under finance leases and similar hire purchase contracts (note 14)	629	549
Trade creditors	4,441	3,288
Corporation tax	1,118	513
Other taxes and social security	2,487	1,237
Other creditors	102	45
Amounts owed to group undertakings	8,574	6,756
Accruals and deferred income	531	1,893
Dividend	1,000	1,000
	<hr/> 19,902 <hr/>	<hr/> 15,281 <hr/>

14 Creditors: amounts falling due after more than one year

	30 September 2001 £000	1 October 2000 £000
Obligations under finance leases and similar hire purchase contracts	777	899
	<hr/>	<hr/>

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

	30 September 2001 £000	1 October 2000 £000
Within one year	629	549
In the second to fifth year	777	899
	<hr/> 1,406 <hr/>	<hr/> 1,448 <hr/>

Notes (continued)

15 Provisions for liabilities and charges

	30 September 2001 £000	1 October 2000 £000
Restructuring provision	80	-
Deferred taxation	648	588
	<hr/> 728 <hr/>	<hr/> 588 <hr/>

Restructuring provision

	30 September 2001 £'000	1 October 2000 £'000
Balance brought forward	-	-
Charge to the profit and loss account in the year	80	-
	<hr/>	<hr/>
Balance carried forward	80	-
	<hr/>	<hr/>

The restructuring provision is explained in note 3.

	30 September 2001 £'000	1 October 2000 £'000
Deferred taxation		
Balance brought forward	588	588
Adjustment in prior years	3	-
	<hr/>	<hr/>
	591	588
Current year charge	57	-
	<hr/>	<hr/>
Balance carried forward	648	588
	<hr/>	<hr/>

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:

	30 September 2001 £'000	1 October 2000 £'000
Capital allowances in advance of depreciation	649	588
Other timing differences	(1)	-
	<u>648</u>	<u>588</u>

16 Called up share capital

	Authorised No.	£000	Allotted & fully paid No.	£000
At 1 October 2000 and 30 September 2001				
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>2</u>	<u>2</u>

17 Reserves

	Profit and loss account £000
At beginning of year	2,455
Profit for the financial year	971
	<u>3,426</u>
At end of year	<u>3,426</u>

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 £2,150,000 (2000: £218,000).
- (ii) Commitments under forward orders for raw material and packaging purchases for which no provision has been made amounted to £1,973,000 (2000: £1,574,000) at the end of the year
- (iii) Annual commitments under non-cancellable operating leases are as follows: -
 - The land and buildings commitment is £70,000 (2000: £70,000) for leases which expire over five years.
 - The commitment for other operating leases is £Nil (2000: £5,000), £86,000 (2000: £130,000) and £ Nil (2000: £Nil) for expiry within one year, two to five years and over five years respectively.

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 £90,000 (2000: £56,000).

Contributions amounting to £41,000 were payable to the fund at 30 September 2001 (2000: £Nil).

20 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