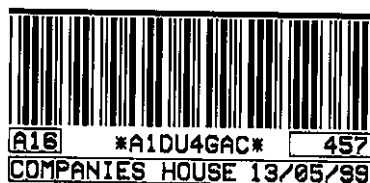



GARTH BAKERY LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31ST AUGUST 1998



GARTH BAKERY LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31ST AUGUST 1998

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OFFICERS AND PROFESSIONAL ADVISERS

COMPANY NUMBER	1705445
DIRECTORS	A. James Esq K. H. Brewer Esq
SECRETARY	K. H. Brewer Esq
REGISTERED OFFICE	Pontycynon Industrial Estate Pontycynon Abercynon Mountain Ash Mid Glamorgan, CF45 4EP
BANKERS	Lloyds Bank plc 12 Cannon Street Aberdare Mid Glamorgan, CF44 7AR
SOLICITORS	Hugh J. James Martin Evans House, Avenue de Clichy, Merthyr Tydfil Mid Glamorgan, CF47 8LD
AUDITORS	Anthony John Foley "Gwylfa" 61 Cardiff Road Llandaff Cardiff South Glamorgan, CF5 2DQ

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST AUGUST 1998

The directors present herewith their report on the affairs of the company together with the Financial Statements and Auditor's Report for the year ended 31st August 1998.

1. **Results and Dividends**

The directors recommend the payment of a dividend. The profit of the company for the year after taxation and dividend was £22,448 compared to a profit of £40,416 in 1997. The directors recommend that this be added to the retained earnings at the beginning of the year and that the balance of £329,134 be carried forward.

2. **Business Activities**

The principal activities of the company during the year were that of the manufacture and sale of bakery products.

3. **Future Developments**

Both the level of business and the year end financial position were satisfactory and the directors expect that for the foreseeable future no significant changes in activities or size of the business will occur.

4. **Directors**

The company's directors that served during the year are set out under "Officers and Professional Advisers". Their benefits and interests, including those of their families, in the issued share capital of the company, were as follows:-

	Ordinary Shares of £1 each	
	<u>1998</u>	<u>1997</u>
A. James Esq	8,000	8,000
K. H. Brewer Esq	8,000	8,000

There have been no changes in the holdings of the directors between the accounting date and the date of this report.

5. **Fixed Assets**

Details of the company's fixed assets are set out in notes 8 and 9 to the accounts.

6. **Auditors**

A resolution will be proposed at the Annual General Meeting to appoint the auditors, Anthony John Foley.

BY ORDER OF THE BOARD

.....K. Brewer✓
K. H. Brewer Esq
Secretary

Date: 2nd February 1999

GARTH BAKERY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 1998

Directors Responsibilities

Company law requires the directors to prepare accounts 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 period. In preparing those accounts, the directors are required to:

- * Select suitable accounting policies;
- * 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 accounts;
- * Prepare the accounts on the going concern basis unless it is appropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act. They are also responsible for safeguarding the assets of the company and hence for taking responsible steps for the prevention and detection of fraud and other irregularities.

TO THE MEMBERS OF GARTH BAKERY LIMITED

REPORT OF THE AUDITORS

FOR THE YEAR ENDED 31ST AUGUST 1998

I have audited the accounts on pages 5 to 15 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective Responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts, and to report our opinion to you.

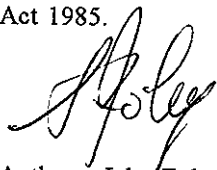
Basis of Opinion

I conducted my 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 accounts. It also includes assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In my opinion the accounts give a true and fair view of the state of the company's affairs as at 31st August 1998 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Anthony John Foley
Chartered Accountant
Registered Auditor
Cardiff

2nd February 1999

GARTH BAKERY LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31ST AUGUST 1998

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>	<u>£</u>
TURNOVER: Continuing operations		3,270,092	3,264,240
Cost of Sales		(1,919,053)	(1,883,222)
Gross Profit		<hr/> 1,351,039	<hr/> 1,381,018
Distribution Costs		(494,265)	(449,209)
Administration Expenses		(787,940)	(781,567)
Other Operating Income		<hr/> ---	<hr/> ---
OPERATING PROFIT: Continuing operations	2	68,834	150,242
Interest Payable and Similar Charges	5	(26,398)	(36,008)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<hr/> 42,346	<hr/> 114,234
Tax on Profit on Ordinary Activities	6	102	(23,818)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<hr/> 42,448	<hr/> 90,416
Dividends	7	(20,000)	(50,000)
RETAINED PROFIT FOR THE YEAR TRANSFERRED TO RESERVES	16	<hr/> 22,448	<hr/> 40,416

The notes on pages 8 to 15 form part of these Financial Statements.

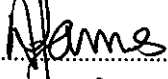
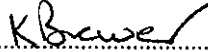
Auditor's Report - page 4.

There are no recognised gains or losses for the current year and the preceding financial year other than as stated in the Profit and Loss account.

GARTH BAKERY LIMITED
BALANCE SHEET
YEAR ENDED 31ST AUGUST 1998

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
		£	£
FIXED ASSETS			
Tangible Assets	8	659,918	581,686
Investments	9	213	213
		<hr/>	<hr/>
CURRENT ASSETS		660,131	581,899
Stocks	10	20,014	24,956
Debtors	11	194,852	195,171
Cash at Bank and in Hand		116	11,504
		<hr/>	<hr/>
CREDITORS		214,982	231,631
Amounts falling due within one year	12	(435,425)	(407,835)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(220,443)	(176,204)
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 439,688	<hr/> 405,695
CREDITORS			
Amounts falling due after more than one year	12	(90,554)	(79,009)
		<hr/> 349,134	<hr/> 326,686
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up Share Capital	14	16,000	16,000
Capital Redemption Reserve	15	4,000	4,000
Profit and Loss Account	16	329,134	306,686
		<hr/>	<hr/>
		349,134	326,686
		<hr/>	<hr/>

These Financial Statements have been approved by the Board

.....  A James Esq
.....  K H Brewer

2nd February 1999

Date

The notes on pages 8 to 15 form part of these Financial Statements.

Auditor's Report - page 4.

GARTH BAKERY LIMITED
CASH FLOW STATEMENT
YEAR ENDED 31ST AUGUST 1998

	Notes	£	1998 £	£	1997 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	20		100,241		289,704
RETURNS ON INVESTMENTS AND SERVICING FINANCE					
Interest Received		----		----	
Interest Paid		(10,778)		(9,270)	
Interest Element of Hire Purchase Payments		(15,620)		(26,738)	
Dividend Paid		(20,000)		(80,000)	
Net Cash Outflow from Returns on Investment and Servicing of Finance			(46,398)		(116,008)
TAXATION					
Corporation Tax Paid		(11,510)		(24,978)	
Tax (Paid)/Received					
			(11,510)		(24,978)
INVESTING ACTIVITIES					
Payments to Acquire Fixed Assets		(200,772)		(81,999)	
Receipts from Sale of Fixed Assets		32,436		12,988	
Net Cash Outflow from Investment Activities			(168,336)		(69,011)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING			(126,003)		79,707
FINANCING					
Cash Inflow from Grants		----		---	
Cash Inflow from Hire Purchase	23	115,886		46,751	
Capital Element of Hire Purchase					
Repayments	23	(83,419)		(70,167)	
Repayments on Loans	23	-----		(16,476)	
Net Cash Inflow from Financing	23		32,467		(39,892)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			(93,536)		39,815

The notes on pages 8 to 15 form part of these Financial Statements

Auditors Report - page 4

GARTH BAKERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 1998

1. Accounting Policies

Accounting Convention - The Accounts have been prepared under the Historical Cost Convention.

Turnover - Turnover represents the net amount of invoices to customers less credit notes for goods returned, excluding Value Added Tax.

Depreciation - Depreciation is provided on a straight line basis to reduce the assets, by annual instalments, to their estimated residual values over their expected useful economic lives.

The following rates have been applied:-

Land and Buildings	2% per annum
Motor Vehicles	25% per annum
Equipment	15% per annum

Stocks - Stocks are stated at the lower cost and net realisable value.

Deferred Taxation - Deferred Taxation is provided at current rates on differences arising from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements, except where tax reduction is expected to continue for the foreseeable future.

Leasing and Hire Purchase Commitments - Assets held under hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the contract and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions - The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

GARTH BAKERY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 1998

2. Operating Profit

The Operating Profit is stated after charging.

	1998 £	1997 £
Depreciation of Tangible Fixed Assets	96,382	98,847
Auditor's Remuneration and Expenses	6,000	6,000
Hire of Plant and Machinery	18,124	16,447
and after allowing	-----	-----
(Loss)/Profit on Sale of Tangible Fixed Assets	6,278	3,411

3. Employee Information

The average number of persons (including executive directors) employed by the company during the year was 64 (1997 - 67)

	1998 £	1997 £
Staff Costs (for the above persons)		
Wages and Salaries	714,463	657,514
Social Security Costs	61,818	55,501
Other Pension Costs	23,480	19,280
	-----	-----
	799,761	732,295

4. Directors Emoluments

Emoluments of the Directors, including pension contributions, were as follows:-

	1998 £	1997 £
As Directors	---	---
For Management Services	124,927	88,238
	-----	-----
	124,927	88,238

The emoluments (excluding pension contributions) of the Chairman and highest paid director of the company were £59,471 (1997 - £30,800).

Scale of Others:	1998 No	1996 No
£0 - £5,000	-	-
£30,001 - £35,000	-	1
£55,001 - £60,000	1	-

GARTH BAKERY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 1998

5.	<u>Interest Payable</u>	1998	1997
		£	£
	Interest on Bank Loans, Overdrafts and other loans repayable within five years	2,415	844
	Hire Purchase	15,620	26,738
		<hr/>	<hr/>
		18,035	27,582
	Bank Charges	8,363	8,426
		<hr/>	<hr/>
		26,398	36,008
6.	<u>Taxation</u>	<hr/>	<hr/>
	The taxation charge based on the profit for the year comprises:		
		1998	1997
		£	£
	UK Corporation Tax at 25% based upon the adjusted results for the year	(525)	23,384
	Adjustment to Prior Year's Provision	423	434
		<hr/>	<hr/>
		(102)	23,818
		<hr/>	<hr/>

No provision for deferred taxation has been included as in the opinion of the Directors such a provision is not necessary. The potential liability at 31st August 1998 was £49,895 (31st August 1997 - £39,421).

7. **Dividends**

A dividend of £20,000 was paid by the directors (1997 £50,000). The balance of profits being added to reserves.

GARTH BAKERY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 1998

8. **Fixed Assets - Tangible Assets**

	<u>Motor Vehicles</u> £	<u>Plant and Equipment</u> £	<u>Freehold Land and Buildings</u> £	Total £
<u>Cost</u>				
At 1st September 1997	399,581	589,773	185,668	1,175,022
Additions in year	97,848	75,017	27,907	200,772
Disposals in year	(55,831)	(348)	---	(56,179)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st August 1998	441,598	664,442	213,575	1,319,615
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Accumulated Depreciation</u>				
At 1st September 1997	176,650	385,295	31,391	593,336
Eliminated re. Disposals	47,783	45,044	3,555	96,382
Charge for year	(29,673)	(348)	---	(30,021)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st August 1998	194,760	429,991	34,946	659,697
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Net Book Value</u>				
At 31st August 1998	246,838	234,451	178,629	659,918
At 31st August 1997	<hr/> 222,931	<hr/> 204,478	<hr/> 154,277	<hr/> 581,686

Assets held under hire purchase contracts include:-

	<u>Motor Vehicles</u> £	<u>Plant and Equipment</u> £
Net Book Value as at 31st August 1998	158,547	24,010
Depreciation Charge for the Year	16,527	4,275

9. **Fixed Assets - Investments**

	1998 £	1997 £
Other Investments	213	213
	<hr/>	<hr/>

Investments comprise 213 Ordinary Shares of £1 each in Wesh Bakers Buyers Group Limited.

GARTH BAKERY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 1998

10. Stocks

	1998	1997
	£	£
Raw Materials	18,248	23,985
Finished Goods and Goods for Resale	1,766	971
	<hr/>	<hr/>
	20,014	24,956
	<hr/>	<hr/>

11. Debtors

Amounts falling due within one year		
Trade Debtors	165,294	160,201
Value Added Tax	18,565	9,034
Prepayments	5,993	5,936
ACT Recoverable	5,000	20,000
	<hr/>	<hr/>
	194,852	195,171
	<hr/>	<hr/>

12. Creditors

Amounts falling due within one year		
Bank Loans and Overdraft	82,148	---
Trade Creditors	192,367	225,177
Corporation Tax	---	23,383
PAYE and Social Security	18,266	17,702
Obligations under Hire Purchase	83,506	62,584
Accruals	54,138	66,489
ACT Payable	5,000	12,500
	<hr/>	<hr/>
	435,425	407,835
	<hr/>	<hr/>
Amounts falling due after more than one year.		
Bank Loans	---	---
Obligations under Hire Purchase	90,554	79,009
	<hr/>	<hr/>
	90,554	79,009
	<hr/>	<hr/>

The Bank Loans and Overdraft are secured by an Unlimited Debenture in the Bank's standard form dated 21st January 1992 comprising a fixed and floating charge over all assets of the company; a mortgage dated 1st May 1987 over the company's freehold property.

GARTH BAKERY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 1998

13. BORROWINGS

(A) OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	Notes	1998 £	1997 £
The maturity of these amounts is as follows:-			
Amounts payable:			
within one year		87,214	76,149
within two to five years		117,793	95,257
after five years		---	---
		<hr/>	<hr/>
		205,007	171,406
Less: Finance charges and interest allocated to future accounting periods.		(30,947)	(29,813)
		<hr/>	<hr/>
		174,060	141,593
		<hr/>	<hr/>

Hire Purchase Contracts are analysed as follows:

Current Obligations	12	83,506	62,584
Non Current Obligations	12	90,554	79,009
		<hr/>	<hr/>
		174,060	141,593
		<hr/>	<hr/>

(B) BANK LOANS AND OVERDRAFTS

Analysis of loan repayments			
Within one year or on demand		---	---
Between one and two years		---	---
Between two and five years		---	---
		<hr/>	<hr/>
		---	---
		<hr/>	<hr/>
Amounts repayable by instalments		<hr/>	<hr/>

14. Called up Share Capital

Authorised			
1,000,000 Ordinary Shares of £1 each.		1,000,000	1,000,000
Allotted, Issued and Fully Paid			
16,000 Ordinary Shares of £1 each.		16,000	16,000

15. Capital Redemption Reserve

Balance Brought Forward		4,000	4,000
		<hr/>	<hr/>
Balance Carried Forward		4,000	4,000
		<hr/>	<hr/>

GARTH BAKERY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 1998

16. **Profit and Loss Account**

	1998 £	1997 £
Retained Profit Brought Forward	306,686	266,270
Retained Profit for the Year	22,448	40,416
Purchase of Own Shares	---	---
	<hr/>	<hr/>
Retained Profit Carried Forward	329,134	306,686
	<hr/>	<hr/>

17. **Contingencies**

The Company had no contingent liabilities at 31st August 1998.

18. **Capital Commitments**

	1998 £	1997 £
Contracted for, but not provided in the financial statements.	NIL	NIL
	<hr/>	<hr/>
Authorised, but not contracted for.	NIL	NIL
	<hr/>	<hr/>

19. **Pension Commitments**

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 cost charge represents contributions payable by the Company to the fund and amounted to £23,480. (1997 : £19,280).

20. **Reconciliation of Operating Profit to Net Cash Flow from Operating Activities**

	1998 £	1997 £
Operating Profit	68,834	150,242
Depreciation Charges	96,382	98,847
Interest Received	---	---
(Profit)/Loss on Sale of Fixed Assets	(6,278)	(3,411)
Decrease/(Increase) in Stocks	4,942	(5,337)
Decrease/(Increase) in Debtors & Prepayment	(19,566)	11,162
(Decrease)/Increase on Creditors	(32,810)	54,528
Decrease on Accruals	(12,351)	(15,793)
Decrease on Taxation and Social Security	1,088	(534)
	<hr/>	<hr/>
Net Cash Inflow From Operating Activities	100,241	289,704
	<hr/>	<hr/>

GARTH BAKERY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 1998

21. Analysis of changes in Cash and Cash Equivalents during the year

	1998 £
Balance as at 1st September 1997	11,540
Net Cash Inflow	(93,536)
	<hr/>
	(81,996)
	<hr/>

22. Analysis of the Balances of Cash and Cash Equivalents as shown in the Balance Sheet

	1998 £	1997 £	Charge in Year £
Cash at Bank and in Hand	116	11,504	(11,388)
Bank Overdrafts	(82,148)	---	(82,148)
	<hr/>	<hr/>	<hr/>
	(82,032)	11,504	(93,536)
	<hr/>	<hr/>	<hr/>

23. Analysis of Changes in Financing During the Year

	Bank Loans £	1998 Hire Purchase £	Bank Loans £	1997 Hire Purchase £
Balance Brought Forward	---	141,593	16,476	165,009
Cash Inflow	---	115,886	---	46,751
Cash Outflow	---	(83,419)	(16,476)	(70,167)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance Carried Forward	---	174,060	---	141,593
	<hr/>	<hr/>	<hr/>	<hr/>

24. Controlling Party

The two directors Mr. A. James and Mr. K. Brewer control the company.