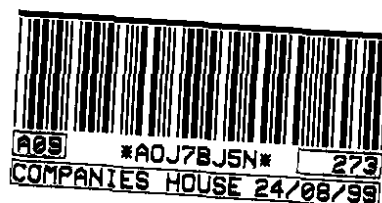




## Zest Foods Limited

Directors' report and financial statements  
For the year ended 31 December 1998

Registered number: 2454068



# Directors' report

For the year ended 31 December 1998

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

## Review of business

The principal activity of the company in the year under review continued to be the production and sale of sauces.

## Results and dividends

The results for the year and the state of the company's affairs are as set out in the attached financial statements.

## Directors and their interests

The directors of the company who all served during the year were:

T.J. Barlow

N.C. Williams

F.O. Hausermann (resigned 6 January 1999)

I McCormick

At 31 December 1998 the directors have no beneficial interests.

## 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 period. 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;
- 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Directors' report (continued)

### Year 2000

For some time the Company has been conducting a thorough examination of all its systems to ensure that they meet the definition for Year 2000 compliance as set out by the British Standards Institute. The primary focus has been our computer systems and inhouse business activities. The work is well advanced and it is hoped that compliance will be declared in the near future.

### Auditors

During the year Price Waterhouse resigned as auditors and Arthur Andersen have indicated their willingness to accept office and a resolution concerning their appointment will be proposed at the Annual General Meeting.

By order of the Board

A handwritten signature in black ink, appearing to be 'NC Williams', written in a cursive style.

NC Williams  
Director

1 July 1999

## Auditors' report

London

### To the Members of Zest Foods Limited

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

### Respective responsibilities of directors and auditors

As described on page 1, 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 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 circumstances of the company, 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 affairs of the company as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors



## Profit and loss account

For the year ended 31 December 1998

	Notes	1998 £	1997 £
<b>Turnover</b>	2	1,660,373	1,362,227
<b>Cost of sales</b>		(1,147,767)	(952,702)
<b>Gross profit</b>		512,606	409,525
<b>Administrative expenses</b>		(334,324)	(251,590)
<b>Selling and distribution costs</b>		(75,537)	(52,740)
<b>Operating profit</b>	3	102,745	105,195
<b>Interest payable and similar charges</b>	6	(2,202)	(4,555)
<b>Profit on ordinary activities before taxation</b>		100,543	100,640
<b>Tax on profit on ordinary activities</b>	7	(36,109)	(46,150)
<b>Profit on ordinary activities after taxation</b>		64,434	54,490
<b>Retained profit brought forward</b>		74,570	20,080
<b>Retained profit carried forward</b>		139,004	74,570

There were no gains or losses other than those recognised in the profit and loss account.

There is no material difference between the reported profit and historical cost profit on ordinary activities before taxation for either period.

All results relate to continuing operations.

The notes on pages 6 to 12 form part of these financial statements.

# Balance sheet

31 December 1998

	Notes	1998 £	1997 £
<b>Fixed assets</b>			
Tangible assets	8	313,364	276,734
<b>Current assets</b>			
Stocks	9	146,824	123,825
Debtors	10	318,971	345,040
Cash in hand		44	31
		465,839	468,895
<b>Creditors: Amounts falling due within one year</b>	11	219,278	(259,411)
<b>Net current assets/(liabilities)</b>		246,561	209,485
<b>Total assets less current liabilities</b>		559,925	486,219
<b>Creditors: Amounts falling due after more than one year</b>	12	(377,450)	(383,287)
<b>Provisions for liabilities and charges</b>	14	(43,394)	(28,285)
<b>Net assets</b>		139,081	74,647
<b>Capital and reserves</b>			
Called-up share capital	15	77	77
Profit and loss account	16	139,004	74,570
<b>Total shareholders' funds</b>		139,081	74,647

In preparing these financial statements, the directors have taken advantage of special exemptions applicable to small companies conferred by Part 1 of Schedule 8 to their Companies Act 1985. The directors have done so on the grounds that, in their opinion, the company is entitled to the benefit of those exemptions because it meets the qualifying conditions for small companies as stated in Section 247 of the Companies Act 1985.

Approved by the Board on 1 / 7 / 1999.



N.C. Williams  
Director

The notes on pages 6 to 12 form part of these financial statements.

# Notes to the financial statements

For the year ended 31 December 1998

## 1 Accounting policies

### a). *Accounting convention*

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

### b). *Financial Reporting Standard No.1*

Exemption has been taken from preparing a cash flow statement on the ground that the company qualifies as a small company.

### c). *Turnover*

Turnover represents net invoiced sales of goods, excluding value added tax.

### d). *Tangible fixed assets*

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter:

Improvements to property	-	Life of the lease
Plant and machinery	-	10% straight line
Motor vehicles	-	25% reducing balance

During the year the company's policy for the depreciation of plant and machinery was realigned to that for the rest of the group.

### e). *Stocks*

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

### f). *Deferred taxation*

Provision is made, at current rates, for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

### g). *Hire purchase and leasing commitment*

Assets obtained under hire purchase contracts or finance leases are capitalised at their fair values at the inception of the lease and the related payment due shown as liabilities. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period.

Rentals paid under operating leases are charged to the profit and loss account.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### *h). Government grants*

Grants receivable in respect of expenditure on tangible fixed assets are treated as deferred income and are released to the profit and loss account in equal instalments over the estimated useful economic lives of the assets concerned.

### 2 Turnover

The turnover and profit before taxation are attributable to the one principal activity of the company.

### 3 Operating profit

The operating profit is stated after charging:

	1998 £	1997 £
Staff costs (note 4) including director's emoluments	310,354	250,401
Depreciation	44,561	29,780
Operating lease rentals - equipment hire	10,290	10,290
- property	32,000	22,000
Auditors' remuneration	3,500	3,000
	<hr/>	<hr/>

### 4 Staff costs

	1998 £	1997 £
Wages and salaries	286,054	234,121
Social security costs	24,300	16,280
	<hr/>	<hr/>
	310,354	250,401
	<hr/>	<hr/>

The average weekly number of employees during the year was 20 (1997: 17).

### 5 Directors' remuneration

No Directors' remuneration was paid in respect of directors of the company:

	1998 £	1997 £
Emoluments	-	4,000
Pension contribution	-	-
	<hr/>	<hr/>
	-	4,000
	<hr/>	<hr/>



## Notes to the financial statements (continued)

### 5 Directors' remuneration (continued)

The emoluments of the chairman and highest paid director, excluding pension contributions, were £nil (1997: £2,000).

Directors emoluments fell within the following ranges:

	1998 Number	1997 Number
£nil - £ 5,000	<u>4</u>	<u>4</u>

### 6 Interest payable and similar charges

	1998 £	1997 £
Bank loans and overdrafts	-	25
Other interest	-	721
Hire purchase interest	2,202	3,809
	<u>2,202</u>	<u>4,555</u>

### 7 Tax on profit on ordinary activities

The tax charge for the year was as follows:

	1998 £	1997 £
Corporation tax		
- current year at 21.0% (1997: 21.74%)	23,133	17,865
- prior year over provision	(2,133)	-
Deferred tax	15,109	28,285
	<u>36,109</u>	<u>46,150</u>

## Notes to the financial statements (continued)

### 8 Tangible fixed assets

	Porta Cabins £	Improvements to property £	Plant and machinery £	Computer equipment £	Total £
<b>Cost</b>					
At 1 January 1998	3,653	28,848	331,352	178	364,031
Additions	1,630	8,442	67,143	3,976	81,191
Disposals					
At 31 December 1998	<u>5,283</u>	<u>37,291</u>	<u>398,494</u>	<u>4,154</u>	<u>445,222</u>
<b>Depreciation</b>					
At 1 January 1998	365	5,050	81,837	45	87,297
Charge for year	529	2,701	40,293	1,038	44,561
Disposals					
At 31 December 1998	<u>894</u>	<u>7,751</u>	<u>122,130</u>	<u>1,083</u>	<u>131,858</u>
<b>Net book amount</b>					
At 31 December 1998	<u>4,389</u>	<u>29,540</u>	<u>276,364</u>	<u>3,071</u>	<u>313,364</u>
At 31 December 1997	<u>3,288</u>	<u>23,798</u>	<u>249,515</u>	<u>133</u>	<u>276,734</u>

Included within the net book value of plant and machinery is an amount of £44,863 (1997 - £51,182) in respect of assets purchased under hire purchase contracts. The accumulated depreciation in respect of such assets was £18,325 (1997: £12,006).

### 9 Stocks

	1998 £	1997 £
Raw materials and consumables	133,801	118,911
Finished goods and goods for resale	13,023	4,914
	<u>146,824</u>	<u>123,825</u>

There is no material difference between the historical cost of stocks and their replacement value.

## Notes to the financial statements (continued)

### 10 Debtors: Amounts falling due within one year

	1998 £	1997 £
Trade debtors	133,308	158,857
Amount due from parent undertaking	114,165	84,589
Amount due from associated undertaking	26,424	19,280
Other debtors	25,467	61,818
Prepayments and accrued income	19,607	20,496
	<u>318,971</u>	<u>345,040</u>

### 11 Creditors (amounts falling due within one year)

	1998 £	1997 £
Bank loans and overdrafts	(1,235)	15,338
Amounts due to parent company	9,410	8,665
Amounts due to associated undertaking	5,087	12,226
Hire purchase and finance leases	5,837	10,826
Trade creditors	132,043	172,959
Social security and other taxes	12,732	13,631
Corporation tax	23,134	16,404
Other creditors	2,042	-
Accrued expenses	30,228	9,362
	<u>219,278</u>	<u>259,411</u>

The bank loans and overdrafts are secured by a fixed and floating charge over the company's assets.

### 12 Creditors: (amounts falling due after more than one year)

	1998 £	1997 £
Loan from parent undertaking	374,581	374,581
Hire purchase and finance leases	2,869	8,706
	<u>377,450</u>	<u>383,287</u>

The loan from the parent company is non-interest bearing. Amounts payable under hire purchase and finance leases are due within five years.

## Notes to the financial statements (continued)

### 13 Operating lease commitments

The Company had the following operating lease commitments:

	1998 £	1997 £
Expiring:		
- within one year	8,489	-
- in more than five years	42,291	32,000
Balance at 31 December	<u>50,780</u>	<u>32,000</u>

### 14 Provisions for liabilities and charges

	1998 £	1997 £
Deferred taxation		
Balance at 1 January	28,285	-
Profit and loss account	15,109	28,285
Balance at 31 December	<u>43,394</u>	<u>28,285</u>

The provision represents the full potential liability for deferred tax in 1998, analysed as follows:

	Provided 1998 £	1997 £
Accelerated capital allowances	<u>43,394</u>	<u>28,285</u>

### 15 Called up equity share capital

	1998 £	1997 £
<i>Authorised</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid</i>		
'A' Ordinary shares of £1 each	1	1
'B' Ordinary shares of £1 each	76	76
	<u>77</u>	<u>77</u>

'A' and 'B' Ordinary shares carry equal rights.

## Notes to the financial statements (continued)

### 16 Reconciliation of movement in shareholders' funds

	1998 £	1997 £
Profit for the financial year	64,434	54,490
Shareholders' fund at 1 January	74,570	20,080
Shareholders' fund at 31 December	<u>139,004</u>	<u>74,570</u>

### 17 Capital commitments

The company had the following capital commitments in respect of plant and equipment:

	1998 £	1997 £
Authorised and contracted	<u>6,525</u>	<u>6,192</u>

### 18 Parent undertaking

The ultimate parent undertaking and immediate controlling party is G Costa & Company Limited, a company incorporated in the United Kingdom. The Ultimate controlling party is the Trustees of the Costa Children Settlement fund, who hold a 62% equity interest in G Costa & Company on behalf of the beneficiaries. Copies of the statutory accounts of that company are available at G Costa and Company, Unit 6, Quarry Wood Industrial Estate, Mills Road, Aylesford, Kent ME20 7NA.

### 19 Related party disclosures

The Company is a 100% subsidiary of G Costa & Company Limited ("G Costa") and utilises the exemption contained in FRS 8 Related Party Disclosures not to disclose any transactions with entities that are part of the G Costa group. The address at which the G Costa consolidated financial statements are publicly available is shown in note 18.