

Company Registration No. 2454068

ZEST FOODS LIMITED

Report and Financial Statements

18 September 2004



ZEST FOODS LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

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ZEST FOODS LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T J Barlow
P M Wildman

SECRETARY

R Mendelsohn

REGISTERED OFFICE

Weston Centre
10 Grosvenor Street
London
W1K 4QY

BANKERS

Barclays Bank Plc
54 Lombard Street
London
EC3V 9EX

SOLICITORS

Collyer Bristow
4 Bedford Row
London
WC1R 4DF

KSB Law
14 Old Square
Lincolns Inn
London
WC2A 3UB

AUDITORS

KPMG Audit Plc
Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB

ZEST FOODS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 37 week period ended 18 September 2004. Comparatives are provided for the 53 week period to 2 January 2004.

REVIEW OF BUSINESS AND FUTURE PROSPECTS

The principal activity of the company in the period under review continued to be the production and sale of sauces. There are no plans to change the company's activities significantly in the foreseeable future.

RESULTS AND DIVIDENDS

The results for the period and the state of the company's affairs are as set out in the attached financial statements. The directors do not recommend the payment of a dividend for the period ended 18 September 2004 (2004 -£nil).

DIRECTORS AND THEIR INTERESTS

The directors who held office during the period were:

T J Barlow

N C Williams (Resigned 20 May 2005)

P M Wildman (Appointed 23 March 2005)

T H McCormick (Resigned 28 Feb 2005)

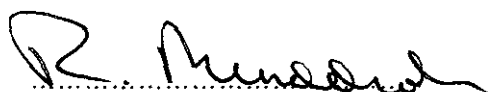
At 18 September 2004 the directors had no beneficial interests in the share capital of the company (2004 -£nil).

AUDITORS

The company has passed an elective resolution to dispense of AGMs. In the absence of a notice proposing that the appointment to be terminated KPMG Audit plc will be deemed to be re-appointed as auditors for the next financial year.

Approved by the Board of Directors

and signed on behalf of the Board



R Mendelsohn
Secretary

Weston Centre
10 Grosvenor Street
London
W1K 4QY

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit and 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;
- state whether applicable accounting standards have been followed; and
- 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They have 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ZEST FOODS LIMITED

We have audited the financial statements on pages 5 to 15.

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 auditors' 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.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 18 September 2004 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditors
London

15 July 2005

ZEST FOODS LIMITED

PROFIT AND LOSS ACCOUNT

Period ended 18 September 2004

	Note	37 weeks ended 18 September 2004 £	53 weeks ended 2 January 2004 £
TURNOVER	2	2,767,665	3,911,700
Cost of sales		(2,368,642)	(2,787,448)
GROSS PROFIT		399,023	1,124,252
Distribution costs		(128,306)	(190,825)
Administrative expenses		(288,364)	(805,600)
OPERATING (LOSS)/PROFIT	3	(17,647)	127,827
Interest payable and similar charges	6	(400)	(533)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(18,047)	127,294
Tax on loss/(profit) on ordinary activities	7	5,414	(38,455)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(12,633)	88,839
Retained profit brought forward		771,591	682,752
Retained profit carried forward		758,958	771,591

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

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.

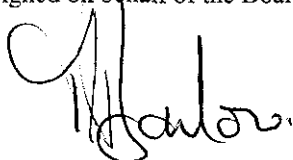
ZEST FOODS LIMITED

BALANCE SHEET 18 September 2004

	Note	As at 18 September 2004 £	As at 2 January 2004 £
FIXED ASSETS			
Tangible assets	8	495,153	490,928
CURRENT ASSETS			
Stocks	9	411,346	383,656
Debtors	10	767,567	779,652
Cash at bank and in hand		34,356	275
		1,213,269	1,163,583
CREDITORS: amounts falling due within one period	11	(699,816)	(637,654)
NET CURRENT ASSETS		513,453	525,929
TOTAL ASSETS LESS CURRENT LIABILITIES		1,008,606	1,016,857
CREDITORS: amounts falling due after more than one period	12	(200,000)	(204,208)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(49,571)	(40,981)
NET ASSETS		759,035	771,668
CAPITAL AND RESERVES			
Called up share capital	15	77	77
Profit and loss account		758,958	771,591
EQUITY SHAREHOLDERS' FUNDS		759,035	771,668

These financial statements were approved by the Board of Directors on 14th July 2005.

Signed on behalf of the Board of Directors



T J Barlow

Director

ZEST FOODS LIMITED

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Period ended 18 September 2004

	37 weeks ended 18 September 2004 £	53 weeks ended 2 January 2004 £
(Loss)/profit attributable to shareholders for the period	(12,633)	88,839
Net (decrease)/increase in shareholders' funds	(12,633)	88,839
Opening shareholders' funds	771,668	682,829
Closing shareholders' funds	759,035	771,668

NOTES TO THE ACCOUNTS
Period ended 18 September 2004

1. ACCOUNTING POLICIES

The particular accounting policies adopted are described below. They have been applied consistently throughout the period and the preceding period. The accounting reference date of the company is the nearest Saturday to 15 September. Accordingly these accounts have been for the 37 week period ended 18 September 2004.

Basis of preparation

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

Cash flow statement

In accordance with Financial Reporting Standard No.1 (Revised), the company is exempt from preparing a cash flow statement as its ultimate parent undertaking has included a cash flow statement in its financial statements which are publicly available.

Tangible fixed assets

Tangible fixed assets are stated at cost, less depreciation and any provision for impairment.

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:

Portacabins	-	10% straight line
Improvements to property	-	Life of the lease
Plant and machinery	-	10% straight line
Computer equipment	-	25% straight line

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

A net deferred tax asset is recognised as recoverable and therefore only recognised when on the basis of all available evidence it can be regarded as more likely than not that there will be suitable foreseeable profits from which the future reversal of the underlying timing differences can be deducted.

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at the rates ruling at the balance sheet date. Transactions in foreign currencies are recorded at the exchange rates prevailing at the date of the transactions. Gains and losses on foreign exchange translations are recognised in the profit and loss account.

NOTES TO THE ACCOUNTS
Period ended 18 September 2004

1. ACCOUNTING POLICIES (continued)

Leases

Assets obtained under hire purchase contracts or finance leases are capitalised at their fair values at the inception of the lease and the related payments 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 finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account. Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pensions

The company is a member of the G Costa & Company Limited Group Scheme which is a defined contribution scheme. Contributions are charged to the profit and loss account in the period to which they relate. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet. The pension cost for the period is disclosed in note 4.

2. TURNOVER

Turnover represents amounts receivable for goods during the period excluding value added tax, allowances, discounts and similar charges.

3. OPERATING PROFIT

	37 weeks ended 18 September 2004 £	53 weeks ended 2 January 2004 £
The operating profit is stated after charging the following:		
Depreciation		
- owned assets	51,549	74,166
- assets purchased under hire purchase contracts	2,182	6,218
Operating lease rentals – plant and equipment		-
– land and buildings	41,614	56,658
Auditors' remuneration	3,150	4,200
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ZEST FOODS LIMITED

NOTES TO THE ACCOUNTS Period ended 18 September 2004

4. STAFF COSTS

	37 weeks ended 18 September 2004 £	53 weeks ended 2 January 2004 £
Staff costs comprise:		
Wages and salaries	576,023	763,895
Social security costs	52,467	62,182
Pension costs	13,104	15,506
	<u>641,594</u>	<u>841,583</u>
The average monthly number of employees during the period was:	No.	No.
Administration	5	5
Manufacturing	35	29
Distribution	3	3
	<u>43</u>	<u>37</u>

5. DIRECTORS' REMUNERATION

The directors receive their emoluments from group companies G Costa & company limited and Keddie saucemasters limited. Zest Foods Limited paid no emoluments to the directors during the period.

One director was a member of G Costa and Company Limited's money purchase scheme during the period.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	37 weeks ended 18 September 2004 £	53 weeks ended 2 January 2004 £
Hire purchase interest	<u>400</u>	<u>533</u>

NOTES TO THE ACCOUNTS
Period ended 18 September 2004

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of tax charge on ordinary activities

	37 weeks ended 18 September 2004 £	53 weeks ended 2 January 2004 £
Corporation tax		
- current period	14,004	(39,830)
- adjustment in respect of prior periods	-	576
	<u>14,004</u>	<u>(39,254)</u>
Group relief	-	-
	<u>14,004</u>	<u>(39,254)</u>
Deferred tax		
- timing differences	(8,590)	645
- adjustment in respect of prior periods	-	154
	<u>5,414</u>	<u>(38,455)</u>

Factors affecting the tax charge for the period

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	37 weeks ended 18 September 2004 £	53 weeks ended 2 January 2004 £
(Loss)/profit on ordinary activities before tax	(18,047)	127,294
Tax at 30% thereon	(5,414)	38,188
Effects of:		
Expenses not deductible for tax purposes	-	996
Capital allowances in excess of depreciation	(8,590)	384
Other timing differences	-	262
Adjustments in respect of prior periods	-	(576)
	<u>(14,004)</u>	<u>39,254</u>

Factors that may affect future tax charges

There are no factors which are expected to significantly affect future tax charges.

NOTES TO THE ACCOUNTS
Period ended 18 September 2004

8. TANGIBLE FIXED ASSETS

	Porta cabins £	Improvements to property £	Plant and machinery £	Computer equipment £	Total £
Cost					
At 02 January 2004	5,283	142,537	662,450	28,950	839,220
Additions	-	7,343	50,613	-	57,956
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 18 September 2004	5,283	149,880	713,063	28,950	897,176
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 02 January 2004	3,534	37,189	293,492	14,077	348,292
Charge for the period	366	7,087	42,983	3,295	53,731
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 18 September 2004	3,900	44,276	336,475	17,372	402,023
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Net book value					
At 18 September 2004	1,383	105,604	376,588	11,578	495,153
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At 2 January 2004	1,749	105,348	368,958	14,873	490,928
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Included within the net book value of plant and machinery is an amount of £8282 (2004 – £10,466) in respect of assets purchased under hire purchase contracts. The depreciation charged in the period in respect of such assets was £2,184 (2004 – £6,218).

9. STOCKS

	As at 18 September 2004 £	As at 2 January 2004 £
Raw materials and consumables	381,998	362,433
Finished goods and goods for resale	29,348	21,223
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	411,346	383,656
	<hr/>	<hr/>

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

NOTES TO THE ACCOUNTS
Period ended 18 September 2004

10. DEBTORS

	As at 18 September 2004 £	As at 2 January 2004 £
Trade debtors	220,733	387,533
Amounts due from parent undertaking	262,461	227,031
Amounts due from other group undertakings	166,828	17,708
Other debtors	71,726	92,113
Prepayments and accrued income	45,819	55,267
	<u>767,567</u>	<u>779,652</u>

All amounts are due within one period.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE PERIOD

	As at 18 September 2004 £	As at 2 January 2004 £
Bank loans and overdrafts	26,926	45,070
Amounts due to parent undertaking	-	6,388
Amounts due to other group undertakings	121,246	91,580
Hire purchase and finance leases	3,156	3,156
Trade creditors	363,685	361,579
Social security and other taxes	6,319	22,908
Corporation tax	30,184	40,632
Other creditors	21,042	30,949
Accruals and deferred income	127,258	35,392
	<u>699,816</u>	<u>637,654</u>

The bank loans and overdraft are secured by a fixed charge over the group's property and by a floating charge over the remaining assets of the company including trade debtors.

Obligations under finance leases are secured on the related assets.

Included in Accruals and deferred income is an amount £2,853 (2004 - £961) in respect of outstanding pension contributions.

NOTES TO THE ACCOUNTS
Period ended 18 September 2004

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE PERIOD

	As at 18 September 2004 £	As at 2 January 2004 £
Loan from parent undertaking	200,000	200,000
Hire purchase and finance leases	-	4,208
	<u>200,000</u>	<u>204,208</u>

The loan from the parent undertaking is non-interest bearing and has no set date for repayment.

Hire purchase and finance leases are repayable as follows:

	As at 18 September 2004 £	As at 2 January 2004 £
- between one and two periods	-	4,208
- between two and five periods	-	-
	<u>-</u>	<u>4,208</u>
Within one period (included in current liabilities)	3,156	3,156
	<u>3,156</u>	<u>7,364</u>

13. OPERATING LEASE COMMITMENTS

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

	As at 18 September 2004	As at 2 January 2004
	Property £	Plant and Equipment £
Expiring:		
- within one period	-	-
- between one and two periods	-	-
- between two and five periods	61,000	61,000
- in more than five periods	-	-
	<u>61,000</u>	<u>61,000</u>

NOTES TO THE ACCOUNTS
Period ended 18 September 2004

14. PROVISIONS FOR LIABILITIES AND CHARGES

	As at 18 September 2004 £	As at 2 January 2004 £
Deferred taxation		
Balance at 2 January 2004	40,981	41,780
Charged/(Credited) to the profit and loss account in the period	8,590	(799)
Balance at 18 September 2004	<u>49,571</u>	<u>40,981</u>

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

	As at 18 September 2004 £	As at 2 January 2004 £
Accelerated capital allowances	<u>49,571</u>	<u>40,981</u>

15. CALLED UP SHARE CAPITAL

	As at 18 September 2004 £	As at 2 January 2004 £
Authorised:		
2 'A' ordinary shares of £1 each	2	2
98 'B' ordinary shares of £1 each	98	98
	<u>100</u>	<u>100</u>
Called up, allotted and fully paid:		
1 'A' ordinary share of £1 each	1	1
76 'B' ordinary shares of £1 each	76	76
	<u>77</u>	<u>77</u>

16. CAPITAL COMMITMENTS

The company had capital commitments of £89,744 as at 18 September 2004 (2004 – £nil).

17. PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

The company is a subsidiary undertaking of G Costa & Company Limited. The ultimate holding company and controlling party as defined by FRS 8 is Wittington Investments Limited, which is incorporated in Great Britain registered in England and Wales.

The largest group in which the results of the company are consolidated is that headed by Wittington Investments Limited. The consolidated accounts of this group are available to the public and may be obtained from Weston Centre, 10 Grosvenor Street London W1K 4QY.

In accordance with the provisions of Financial Reporting Standard No.8, the company has not disclosed details of transactions with group undertakings since the consolidated financial statements of Wittington Investments Limited, in which the company is included, are publicly available at 10 Grosvenor Street London W1K 4QY.