

Company Registration No. ~~2804~~262 (England and Wales)

2804264

COSTCUTTER MARKETING LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 1999



COSTCUTTER MARKETING LIMITED

COMPANY INFORMATION

Directors

C J Graves
J Graves
G M Graves
N Kears (Resigned 9 December 1998)
D M Thompson (Resigned 27 July 1998 and
re-appointed 18 August 1998)
N Walker
I Graves
M K Mayes (Resigned 10 September 1999)
N Ivel (Appointed 18 September 1998)

Secretary

J Graves

Company number

2804262

Registered office

Harvest Mills
Common Road
Dunnington
York
Y01 5RY

Auditors

Barrowcliffs
46 Park Place
Leeds
LS1 2SY

Business address

Harvest Mills
Common Road
Dunnington
York
Y01 5RY

Bankers

Barclays Bank plc
28 Park Row
Leeds
LS1 1PA

Solicitors

Pinsent Curtis
41 Park Square
Leeds
LS1 2NS

COSTCUTTER MARKETING LIMITED

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COSTCUTTER MARKETING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 1999

The directors present their report and financial statements for the year ended 30 April 1999.

Principal activities and review of the business

The principal activity of the company continued to be that of providing a group buying facility for independent supermarkets. On 30 April 1999 the trade was transferred to Costcutter Supermarkets Group Limited.

Results and dividends

The results for the year are set out on page 4.

Directors

The following directors have held office since 1 May 1998:

C J Graves	
J Graves	
G M Graves	
N Kears	(Resigned 9 December 1998)
D M Thompson	(Resigned 27 July 1998 and re-appointed 18 August 1998)
N Walker	
I Graves	
B Wilson	(Resigned 18 September 1998)
M K Mayes	(Resigned 10 September 1999)
N Ivel	(Appointed 18 September 1998)

Directors' interests

None of the directors' had any beneficial interest in the ordinary share capital of the company during the year.

Creditor payment policy

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At the year end, the company transferred trade creditors to the parent company, therefore there are no amounts outstanding.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Barrowcliffs be reappointed as auditors of the company will be put to the Annual General Meeting.

COSTCUTTER MARKETING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 1999

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;
- 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 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 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.

By order of the board



J Graves

Director

11 October 1999

COSTCUTTER MARKETING LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF COSTCUTTER MARKETING LIMITED

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of 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 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

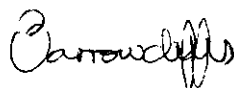
In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 April 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Barrowcliffs

12 October 1999

**Chartered Accountants
Registered Auditor**

46 Park Place
Leeds
LS1 2SY



COSTCUTTER MARKETING LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 APRIL 1999

	Notes	1999 £	1998 £
Turnover	2		
Discontinued activities		213,016,049	181,642,033
Cost of sales		(211,217,740)	(180,087,784)
Gross profit		<u>1,798,309</u>	<u>1,554,249</u>
Distribution costs		(311,981)	(214,055)
Administrative expenses		(2,524,968)	(2,387,938)
Other operating income		<u>1,567,055</u>	<u>1,344,158</u>
Operating profit	4		
Discontinued activities		528,415	296,414
Provision for diminution in value of shares in subsidiary undertaking	5	(195,725)	-
Investment income	6	1,950	6,637
Other interest receivable and similar income	6	39,691	42,739
Interest payable and similar charges	7	(54,150)	(19,076)
Profit on ordinary activities before taxation		<u>320,181</u>	<u>326,714</u>
Tax on profit on ordinary activities	8	(169,883)	(98,642)
Profit on ordinary activities after taxation		<u>150,298</u>	<u>228,072</u>
Dividends	9	(1,962,005)	-
Retained (loss)/profit for the year	19	<u>(1,811,707)</u>	<u>228,072</u>

There are no recognised gains and losses other than those passing through the profit and loss account.

COSTCUTTER MARKETING LIMITED

BALANCE SHEET AS AT 30 APRIL 1999

	Notes	1999 £	£	1998 £	£
Fixed assets					
Tangible assets	10		-		488,292
Investments	11		-		195,725
					<u>684,017</u>
Current assets					
Stocks	12	-	7,951,714		
Debtors	13	-	10,659,132		
Cash at bank and in hand		-	143,658		
					<u>18,754,504</u>
Creditors: amounts falling due within one year	14	-	(17,542,232)		
Net current assets			-		1,212,272
Total assets less current liabilities			-		1,896,289
Creditors: amounts falling due after more than one year	15		-		(38,026)
Provisions for liabilities and charges	16		-		(46,556)
					<u>1,811,707</u>
Capital and reserves					
Called up share capital	18		2		2
Profit and loss account	19		(2)		1,811,705
Shareholders' funds - equity interests	20		-		<u>1,811,707</u>

The financial statements were approved by the Board on 11 October 1999


C J Graves
Director


J Graves
Director

COSTCUTTER MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 1999

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cashflow statement on the grounds that it is a wholly owned subsidiary of Costcutter Supermarkets Group Limited.

1.2 Compliance with accounting standards

The accounts have been prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	33% Straight line
Fixtures, fittings & equipment	15% Reducing balance
Motor vehicles	25% Reducing balance

1.5 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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

1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.7 Stock

Work in progress is valued at the lower of cost and net realisable value.

1.8 Pensions

The company operates a defined contribution pension scheme for specific senior employees. The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

1.9 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

COSTCUTTER MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 1999

1.10 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.11 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of Costcutter Supermarkets Group Limited, a company incorporated in England and Wales, and is included in the consolidated accounts of that company.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Cost of sales and net operating expenses

	1999			1998		
	Continuing £	Discontinued £	Total £	Continuing £	Discontinued £	Total £
Cost of sales	-	211,217,740	211,217,740	-	180,087,784	180,087,784
Distribution costs	-	311,981	311,981	-	214,055	214,055
Administrative expenses	-	2,524,968	2,524,968	-	2,387,938	2,387,938
Other operating income	-	(1,567,055)	(1,567,055)	-	(1,344,158)	(1,344,158)
	-	212,487,634	212,487,634	-	181,345,619	181,345,619

4 Operating profit

	1999 £	1998 £
Operating profit is stated after charging:		
Depreciation of tangible assets	170,679	131,781
Operating lease rentals	279,571	216,025
Auditors' remuneration	7,350	14,000
Remuneration of auditors for non-audit work	3,040	7,550

COSTCUTTER MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 1999

5	Amounts written off investments	1999	1998
		£	£
	Amounts written off fixed asset investments:		
	- permanent diminution in value of Primex (UK) Ltd shares	195,725	-
		<u> </u>	<u> </u>
6	Income from investments, other interest receivable and similar income	1999	1998
		£	£
	Income from participating interests	1,950	6,637
	Bank interest	16,760	27,714
	Other interest	22,931	15,025
		<u> </u>	<u> </u>
		41,641	49,376
		<u> </u>	<u> </u>
7	Interest payable	1999	1998
		£	£
	On bank loans and overdrafts	50,916	15,424
	Hire purchase interest	2,583	2,578
	On overdue tax	651	1,074
		<u> </u>	<u> </u>
		54,150	19,076
		<u> </u>	<u> </u>
8	Taxation	1999	1998
		£	£
	U.K. current year taxation		
	U.K. corporation tax at 31% (1998 - 31%)	163,602	73,331
	Deferred taxation	-	18,145
		<u> </u>	<u> </u>
		163,602	91,476
	Prior years		
	U.K. corporation tax	6,281	7,166
		<u> </u>	<u> </u>
		169,883	98,642
		<u> </u>	<u> </u>
9	Dividends	1999	1998
		£	£
	Transfer of retained reserves to Costcutter Supermarkets Group Ltd	1,962,005	-
		<u> </u>	<u> </u>

COSTCUTTER MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 1999

10 Tangible fixed assets

	Computer equipment	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 May 1998	348,146	451,316	21,194	820,656
Transfer to parent undertaking	(552,846)	(483,038)	(21,194)	(1,057,078)
Additions	204,700	31,722	-	236,422
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 1999	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 May 1998	146,633	175,767	9,964	332,364
Transfer to parent undertaking	(269,866)	(220,403)	(12,772)	(503,041)
Charge for the year	123,233	44,636	2,808	170,677
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 1999	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 April 1999	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 1998	201,513	275,549	11,230	488,292
	<hr/>	<hr/>	<hr/>	<hr/>

Included above are assets held under finance leases or hire purchase contracts as follows:

	Computer equipment £
Net book values	
At 30 April 1999	-
	<hr/>
At 30 April 1998	39,133
	<hr/>
Depreciation charge for the year	
30 April 1999	19,275
	<hr/>
30 April 1998	19,275
	<hr/>

COSTCUTTER MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 1999

11 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 May 1998 & at 30 April 1999	195,725
Provisions for diminution in value	
At 1 May 1998	-
Charge for the year	195,725
At 30 April 1999	195,725
Net book value	
At 30 April 1999	-

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
Primex (UK) Limited	England and Wales	Ordinary	87

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and (Loss) for the reserves	year
Primex (UK) Limited	(96,158)	(175,200)

12 Stocks

	1999 £	1998 £
Stock at third parties	-	7,867,305
Merchandising stock	-	84,409
	-	7,951,714

Stock at third parties comprises goods invoiced to the company, yet to be sold to retailers, which were delivered direct to retailers premises by manufacturers.

COSTCUTTER MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 1999

13 Debtors	1999 £	1998 £
Trade debtors	-	5,525,659
Amounts owed by parent and fellow subsidiary undertakings	-	4,071,242
Other debtors	-	812,668
Prepayments and accrued income	-	249,563
	-	10,659,132

Amounts falling due after more than one year and included in the debtors above are:

	1999 £	1998 £
Trade debtors	-	13,786
Other debtors	-	113,309
	-	127,095

14 Creditors: amounts falling due within one year	1999 £	1998 £
Bank loans and overdrafts	-	1,340,032
Net obligations under finance lease and hire purchase contracts	-	99,733
Trade creditors	-	15,606,370
Corporation tax	-	73,331
Other taxes and social security costs	-	31,424
Other creditors	-	94,593
Accruals and deferred income	-	296,749
	-	17,542,232
Debt due within one year	-	1,340,032

On 4 February 1997 a cross guarantee and debenture between Costcutter Convenience Ltd, Costcutter Filling Stations Ltd, Costcutter Marketing Ltd, Costcutter Supermarkets Group Ltd, Storestyle Ltd and Costcutter Trading Ltd was given to Barclays Bank Plc.

COSTCUTTER MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 1999

15 Creditors: amounts falling due after more than one year	1999 £	1998 £
Net obligations under finance leases and hire purchase agreements	-	38,026
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	-	127,779
Repayable between one and five years	-	47,313
	-	175,092
Finance charges and interest allocated to future accounting periods	-	(37,333)
	-	137,759
Included in liabilities falling due within one year	-	(99,733)
	-	38,026

16 Provisions for liabilities and charges

	Deferred taxation £
Balance at 1 May 1998	46,556
Transferred to parent undertaking	(46,556)
Balance at 30 April 1999	-

17 Pension costs

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 £15139 (1998 - £10,003).

18 Share capital	1999 £	1998 £
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	2	2

COSTCUTTER MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 1999

19 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 May 1998	1,811,705
Retained loss for the year	(1,811,707)
Balance at 30 April 1999	(2)

20 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Profit for the financial year	150,298	228,072
Dividends	(1,962,005)	-
Net (depletion in)/addition to shareholders' funds	(1,811,707)	228,072
Opening shareholders' funds	1,811,707	1,583,635
Closing shareholders' funds	-	1,811,707

21 Financial commitments

At 30 April 1999 the company had annual commitments under non-cancellable operating leases as follows:

	1999 £	1998 £
Expiry date:		
Within one year	-	46,467
Between two and five years	-	388,211
	-	434,678

22 Directors' emoluments

	1999 £	1998 £
Emoluments for qualifying services	28,000	61,641

COSTCUTTER MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 1999

23 Transactions with directors

The following directors had interest free loans during the year. The movement on these loans are as follows:

	Amount outstanding		Maximum
	1999	1998	in year
	£	£	£
G Graves	-	4,996	4,996
I Graves	-	2,300	2,300
	<u> </u>	<u> </u>	<u> </u>

24 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	1999 Number	1998 Number
Administration	50	44
	<u> </u>	<u> </u>

Employment costs

	£	£
Wages and salaries	924,720	802,012
Social security costs	103,045	77,761
Other pension costs	15,139	10,003
	<u> </u>	<u> </u>
	1,042,904	889,776
	<u> </u>	<u> </u>

25 Control

The parent company is Costcutter Supermarkets Group Limited, a company registered in England and Wales.

Costcutter Supermarkets Group Limited prepares group financial statements and copies can be obtained from Harvest Mills, Common Road, Dunnington, York, YO1 5RY.

The Ultimate controlling parties are Mr C Graves and his wife Mrs J Graves who each hold 25.5% of the issued ordinary share capital of the parent company, Costcutter Supermarkets Group Limited.

Mr C Graves and Mrs J Graves are also Directors of the company and the parent company, Costcutter Supermarkets Group Limited.

COSTCUTTER MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 1999

26 Related party transactions

The company has taken advantage of the exemptions conferred by Financial Reporting Standard No 8 from the requirement to make disclosures concerning related parties.

Primex (UK) Ltd is a subsidiary company of Costcutter Marketing Ltd. The company holds 87% of the ordinary shares of Primex (UK) Ltd.

During the year the company sold goods, totalling £5,176,850, to Primex (UK) Ltd. The goods were sold under the same terms of trading as other members of the group buying facility.

At the year end an amount of £358,183 was due from Primex (UK) Ltd.

During the year the company made a loan available to Primex (UK) Ltd. The balance outstanding at the year end was £Nil. Interest charged on the loan amounted to £1,950.

A management charge of £40,000 was paid by the company to Colin Graves Trading as Costcutter Retail Services. This was in respect of services provided by Mr Graves to Costcutter Marketing Ltd. Mr Graves is a director of the company.

The company sold goods to a retailer, Mr D Graves, a brother of Mr C Graves, under normal trading terms and conditions.

The company sold goods to Mr D M Thompson, a director of the company, who operates two retail stores in partnership with family members. The goods were sold under normal trading terms and conditions.

The company sold goods to Ebor Foodmarkets Ltd during the year. Mr C Graves and Mrs J Graves are directors of both Costcutter Marketing Ltd and Ebor Foodmarkets Ltd.

The goods were sold under the same trading terms and conditions as the other members of the group buying facility.

The company sold goods to the Andrew James Partnership Ltd, totalling £1,702,785, during the year. No amounts were owing at the year end to Costcutter Marketing Ltd.

The Andrew James Partnership Ltd and Costcutter Marketing Ltd are both subsidiary undertakings of Costcutter Supermarkets Group Limited.