3029290

SNOWKING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH 1996

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COMPANIES HOUSE 13/01/97

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SNOWKING LIMITED

DIRECTORS AND ADMINISTRATION

Country of Registration	England
Registered Number	3029290
Registered Office	Vale House, Vale Road, Portslade, Brighton, BN41 1HG.
Directors	C.B. Adams I.L. Graves P.G. Buist
Company Secretary	P.C. Lock
Solicitors	Messrs. Trowers & Hamlins 6, New Square, Lincoln's Inn, London, WC2A 3RP.
Auditors	KPMG, Richmond House, 1, Rumford Place, Liverpool, L3 9QY.
Banker	Barclays Bank Plc., 193, Camden High Street, London, NW1 7PJ.

SNOWKING LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report on the affairs of the company together with the audited financial statements for the period ended 31st March 1996. The company was incorporated on 6th March 1995 as Affordflower Limited and changed its name to Snowking Limited on 31st March 1995.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company is the delivered wholesale distribution of chilled and frozen food products.

During the year the business and net assets associated with the chilled and frozen operation of Palmer and Harvey McLane Limited, together with the business and net assets acquired in 1995 from Snowking Frozen Foods Limited and Ashfords of Stourbridge, were transferred into Snowking Limited.

The year has been devoted to integrating the three businesses into one and this has involved duplicated costs as well as one off costs resulting in a significant trading loss. The directors feel that the basis has now been formed to enable the business to deliver a meaningful contribution to profits in the medium term.

RESULTS AND DIVIDENDS

A summary of the results for the period is set out in the profit and loss account on page 8.

The directors do not recommend the payment of a final dividend in respect of the period ended 31st March 1996. They further propose that the retained loss for the period be transferred to reserves.

DIRECTORS

The directors in office during the period were as follows:-

C.B. Adams (Chairman)
I.L. Graves (appointed 31st March 1996)
P.G. Buist (appointed 31st March 1996).
P. Hudson (resigned 31st March 1996).
R. F. Hunting (resigned 31st March 1996).

DIRECTORS' INTERESTS

The company is a wholly-owned subsidiary of Palmer & Harvey McLane (Holdings) Limited and consequently none of the directors have any interests in the shares of the company. C.B. Adams and I.L. Graves are directors of the ultimate parent undertaking. Their interests in the shares of the companies of the Group are disclosed in the ultimate parent undertaking's financial statements.

Mr. P.G. Buist was granted options over 40,000 ordinary shares of 5p each in the ultimate parent undertaking at a cost of £2.40 by that company's Employee Share Ownership in March 1996.

The options can be exercised between three and seven years from the date they were granted.

Any options granted to directors who were also directors of the ultimate parent undertaking are shown in that company's financial statements.

CASH FLOW STATEMENT

Under the provisions of Financial Reporting Standard No. 1, the company has not presented a cash flow statement because its ultimate holding company has prepared consolidated accounts which include the company and which contain a cash flow statement.

TANGIBLE FIXED ASSETS

The movement in tangible fixed assets during the period is set out in Note 10 on page 12.

EMPLOYMENT POLICIES

It is the company's policy to give full and fair consideration to applications for employment by people who are disabled, to continue wherever possible the employment of staff who become disabled and to provide equal opportunities for the career development of disabled employees.

The health and safety of the company's employees, customers and members of the general public who may be affected by the company's activities is a matter of primary concern. Accordingly, it is the company's policy to manage its activities so as to avoid causing any unnecessary or unacceptable risk to the health and safety of employees and members of the public.

It is the policy of the company to provide information to consult with and involve all employees wherever practicable to help make them aware of any factors affecting the company.

Where eligible, employees are encouraged to become shareholders of the ultimate holding company, as disclosed in that company's financial statements.

AUDITORS

KPMG were appointed on 27th March 1996 and have indicated their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD

P.C. Lock
Secretary

24/9/96

SNOWKING LIMITED

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 for that year. In preparing the 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 accounts; and
* prepare the accounts 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.

The directors confirm that these financial statements comply with these requirements.

REPORT OF THE AUDITORS, KPMG, TO THE MEMBERS OF SNOWKING LIMITED

We have audited the financial statements on pages 8 to 16.

Respective responsibilities of directors and auditors

As described on page 6 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 accuracy 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 31st March 1996 and of the loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors
Richmond House,
1, Rumford Place,
Liverpool,
L3 9QY.

KPMG

10 October 1996

SNOWKING LIMITED

Profit And Loss Account
for the period ended 31st March 1996

	Note		Continuing Operations £' 000
Turnover	2		114,259
Cost of sales			(97,886)
Gross profit			16,373
Distribution costs		(19,091)	
Distribution costs - Reorganisation costs		(3,807)	
		(22,898)	
Administrative expenses		(1,262)	
			(24,160)
Operating loss			(7,787)
Profit on sale of business	4	750	
Profit on sales of tangible fixed assets		47	797
Other interest receivable & similar charges	5	132	
Other interest payable and similar charges	6	(36)	96
Loss on ordinary activities before taxation			(6,894)
Tax on loss on ordinary activities	9		2,094
Loss on ordinary activities after taxation	17		(4,800)
Dividends paid & proposed			-
Retained loss for the period			(4,800)

Notes:

There are no material recognised gains or losses other than the retained loss for the period.

The notes on pages 10 - 16 form part of these financial statements.

SNOWKING LIMITED

Balance Sheet as at 31st March 1996

	Note	£' 000	£' 000
Fixed Assets			
Tangible Assets	10		5,491
Current Assets			
Stocks	11	4,005	
Debtors	12	11,218	
Cash at bank and in hand		6	
		15,229	
Creditors: Amounts falling due within one year	13	(27,820)	
Net current liabilities			(12,591)
Total assets less current liabilities			(7,100)
Creditors: Amounts falling due after more than one year			-
Net liabilities			(7,100)
Capital and reserves			
Share Capital	15		-
Profit and loss account	17		(7,100)
Equity Shareholders' funds	18		(7,100)

The notes on pages 10 - 16 form part of these financial statements.

- Approved by the Board of Directors on 24/9/96

C.B. Adams

I.L. Graves

IL Graves

SNOWKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements for the period ended 31st March 1996.

a) Basis of Accounting
The financial statements have been prepared on the historical cost basis and in accordance with applicable accounting standards.

b) Going Concern
The financial statements have been prepared on the going concern basis on the assumption that the parent company will continue to provide the financial support necessary for the foreseeable future.

c) Tangible Fixed Assets
Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided to write off the cost of tangible fixed assets over their estimated economic lives on a straight-line basis as follows:

Plant, equipment and vehicles	-	various rates ranging from 10% to $33^1/_3$% per annum on cost

d) Stocks
Stocks are stated at the lower of cost and net realisable value.

e) Taxation
Deferred taxation is provided, using the liability method, in respect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

f) Pension Scheme Contributions
The Company is a member of a group pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group, mainly being invested with insurance companies. Pension contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group.

g) Finance and Operating Leases
Where assets are acquired by leasing arrangements which give rights approximating to ownership ('finance leases' and similar hire purchase contracts) the amount representing the outright purchase price of such assets is included in tangible fixed assets. Depreciation is provided at rates designed to write off this net cost over the shorter of the estimated useful lives of the assets (which are the same as those for assets purchased outright) and the period of the leases.

The capital element of future rentals is treated as a liability and the interest element is charged to the profit and loss account over the period of the leases in proportion to the balances outstanding.

Expenditure on leases other than finance leases ('operating leases') is charged to the profit and loss account on a basis representative of the benefit derived from the asset, normally on a straight line basis over the lease period.

h) **Goodwill**
Goodwill arising on acquisitions, representing the excess of the consideration given over the fair value of net assets acquired is eliminated against reserves in the year of acquisition.

2. **Turnover**

Turnover, which arose solely from sales within the United Kingdom from the Company's wholesale distribution activities, represents amounts invoiced by the Company in respect of goods sold during the period, excluding value added tax.

3. **Staff numbers and costs**

The average number of persons employed by the Company (including directors) during the period was as follows:-

	1996 Number
Distribution	762
Administration and management	33
	795

The aggregate payroll costs of these persons were as follows:-	£'000
Wages and salaries	9,534
Social security costs	825
Other pension costs	194
	10,553

4. **Profit on Sale of Business**
During the year the company disposed of part of its operations relating to cash and carry stores.

5. **Interest Receivable**	1996 £'000
Allocation of group Bank interest	132

6. **Interest payable**	1996 £'000
On bank loans and overdrafts	36

7. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation arose solely from the company's principal activity and was stated after charging:-

	1996
	£'000
Depreciation	1,924
Auditors' remuneration - audit	18
- other services	-
Hire of Plant and machinery	141
Other operating leases	1,789

8. Directors' remuneration

None of the directors received emoluments as directors or executives from the company during the period.

9. Tax on loss on ordinary activities

The tax credit, based on the loss for the period comprises:-

	1996
	£'000
Corporation Tax at 33%	1,876
Deferred taxation at 33%	218
	2,094

10. Tangible Fixed Assets

Company	Fixtures & Fittings Equipment & Computers	Motor Vehicles	Total
Cost or valuation	£'000	£'000	£'000
Additions	3,508	1,817	5,325
Transfer from group	268	3,702	3,970
Disposals	(1,333)	(171)	(1,504)
At 31st March 1996	2,443	5,348	7,791
Depreciation			
Charge for the period	664	1,260	1,924
Transfer from group	47	591	638
Disposals	(159)	(103)	(262)
At 31st March 1996	552	1,748	2,300
Net book value			
At 31st March 1996	1,891	3,600	5,491

11. Stocks

	£'000
Stocks consist of goods for resale.	4,005

12. Debtors

	1996
	£'000
Trade debtors	4,889
Amounts owed by Group Undertakings	1,412
Other Debtors	2,328
Prepayments and accrued income	495
Corporation tax	1,876
Deferred tax	218
	11,218

13. **Creditors**: amounts falling due within one year

	1996
	£'000
Bank overdrafts	4,114
Trade Creditors	7,358
Amounts owed to Group undertakings	14,380
Other creditors	411
Accruals & Deferred Income	1,557
	27,820

The bank overdrafts are secured by a fixed charge over the Group's properties and certain other assets and by a floating charge over all other undertakings and assets of the company

14. Deferred Taxation Asset

	1996
	£'000
At 2nd April 1995	-
Credit for the period	218
At 31st March 1996	218

The deferred tax asset at 31st March 1996 is included in debtors (note 12). Deferred tax provided in the financial statements is as follows:

	1996
	£'000
Rationalisation Provision	218

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The full potential assets in respect of deferred taxation are as follows:

	1996
	£'000
Capital allowances in advance of depreciation	144
Rationalisation Provision	218
Other timing differences	119
	481

15. Share Capital

	1996
	£
Authorised: 1,000 ordinary shares of £1 each	1,000
Allotted, issued and fully paid: 2 ordinary shares of £1 each	2

16. Goodwill arising on acquisitions

On the 31st March 1995 the company acquired the business of Snowking Limited. The consideration given of £16,248,000 was satisfied in cash.

The book values authorised to the net assets acquired from Snowking Limited were as follows:

	Book Value
	£'000
Tangible Fixed Assets	6,553
Current Assets	
Stock	7,649
Other debtors	300
Cash	7
Total Assets	14,509
Liabilities	
Other creditors	(561)
Total liabilities	(561)
Net Assets	13,948
Consideration cash	16,248
Goodwill arising on acquisition	2,300

17. Profit and Loss Account

	1996
	£'000
Retained loss for period	(4,800)
Goodwill written off	(2,300)
At 31st March 1996	(7,100)

The cumulative amount of goodwill written off against the profit and loss account in the current financial period amounts to £2,300,000.

18. **Reconciliation of movements in shareholders' funds**

	1996 £'000
Loss for the financial period	(4,800)
Dividends	-
	(4,800)
Goodwill written off	(2,300)
Opening Shareholders' funds	-
Closing Shareholders' funds	(7,100)

19. **Ultimate holding company and parent company of a larger group**

The company's ultimate holding company is Palmer & Harvey McLane (Holdings) Limited which is incorporated in Great Britain and registered in England and Wales.

The largest group in which the results of the company are consolidated is that headed by Palmer & Harvey McLane (Holdings) Limited. The consolidated financial statements of Palmer & Harvey McLane (Holdings) Limited are available to the public and may be obtained from Companies House.

20. **Commitments**

(i) Capital commitments

	1996 £'000
Authorised but not contracted for	2,842
Authorised and contracted for but not provided	9

(ii) Other commitments

The company has maximum forward annual commitments for operating leases as follows:-

	1996 Land & Buildings £'000	1996 Other £'000
Leases expiring:-		
Within 1 year	159	-
Between 2 and 5 years	706	119
After 5 years	323	25
	1,188	144

21. **Pension Costs**

As explained in note 1 (f) the company is a member of a group pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group, mainly being invested with insurance companies.

The pension cost charge for the period represents contributions payable to the fund and amounts to £194,000.

Contributions to the scheme are based on pension costs across the group as a whole and are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. The contributions are determined by a qualified actuary on the basis of terminal valuation. The most recent valuation was at 31st March, 1993 which concluded that the scheme was in surplus.

Further details relating to the actuarial valuation are disclosed in the financial statements of Palmer & Harvey McLane (Holdings) Limited.

22. Contingencies

At 31st March 1996 the Company together with other Group companies has jointly and severally guaranteed the indebtedness of the Group to its bankers and there is a right of set-off between their accounts.