

Fusion Foods Limited

**Directors' report and financial
statements**

Registered number 4307559

Year ended 31 December 2004



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Directors' report

The directors present their report and financial statements for the year ended 31 December 2004.

Principal activities

The principal activity of the company is that of food importers and distributors.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

Results and dividends

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

The directors do not recommend the payment of a dividend (2003: £Nil).

Directors and directors' interests

The directors who held office during the year and their interest in the shares of the company were as follows:

	Ordinary shares of £1 each	
	2004	2003
P Anuchiracheeva	-	-
RJ Stokes	28,904	28,904
MJ Cheadle	28,904	28,904
De-Yi Shih	-	-
C Britton	28,904	28,904
RR Miller	28,904	28,904
JP Vincent	28,904	28,904
P Ohmpornnuwat	-	-
P Chirakitcharem	-	-

According to the register of directors' interests, no rights to subscribe for shares in, or debentures of, the company were granted to any of the directors or their immediate families, or exercised by them during the financial year.

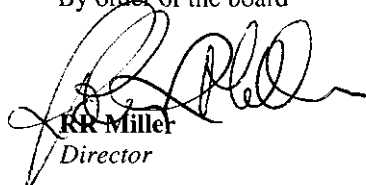
The interests of the directors in the shares of the company's immediate and ultimate parent company are disclosed in the financial statements of those companies.

Auditors

On 15 April 2004, Rabjohns LLP resigned as auditors and KPMG LLP were appointed in their place.

In accordance with section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG LLP as auditors of the company, is to be proposed at the forthcoming annual general meeting.

By order of the board


RR Miller
Director

Avon House
Hartlebury Trading Estate
Hartlebury
Near Kidderminster
Worcestershire
DY10 4JB

28 February 2005

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 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 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.



KPMG LLP

2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Report of the independent auditors to the members of Fusion Foods Limited

We have audited the financial statements on pages 4 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 in an auditor's 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 2, 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.

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 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

8 March 2005

Profit and loss account
for the year ended 31 December 2004

	<i>Notes</i>	2004 £	2003 £
Turnover	2	65,558,546	59,329,770
Cost of sales		(60,961,250)	(55,879,086)
Gross profit		4,597,296	3,450,684
Administrative expenses		(2,652,295)	(2,284,560)
Operating profit		1,945,001	1,166,124
Interest payable and similar charges	6	(838,705)	(607,537)
Profit on ordinary activities before taxation	3	1,106,296	558,587
Tax on profit on ordinary activities	7	(352,499)	(208,761)
Profit on ordinary activities after taxation and retained profit for the year	15	753,797	349,826

All of the above relates to continuing operations.

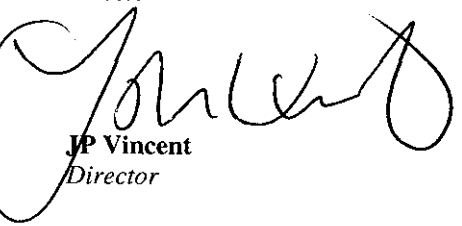
There were no recognised gains and losses other than the profit for the current and preceding year.

Balance sheet
at 31 December 2004

	<i>Note</i>	2004	Restated 2003
		£	£
Fixed assets			
Tangible assets	8	142,758	154,453
Current assets			
Stocks	9	12,976,395	17,833,424
Debtors	10	10,221,475	10,749,225
Cash at bank and in hand		196,432	66,375
		<u>23,394,302</u>	<u>28,649,024</u>
Creditors: amounts falling due within one year	11	(22,228,111)	(28,231,191)
Net current assets		<u>1,166,191</u>	<u>417,833</u>
Total assets less current liabilities		<u>1,308,949</u>	<u>572,286</u>
Creditors: amounts falling due after more than one year	12	-	(9,364)
Provisions for liabilities and charges	13	-	(7,770)
Net assets		<u>1,308,949</u>	<u>555,152</u>
Capital and reserves			
Called up share capital	14	300,000	300,000
Profit and loss account	15	1,008,949	255,152
Shareholders' funds – equity	16	<u>1,308,949</u>	<u>555,152</u>

These financial statements were approved by the board of directors on 28 February 2005 and were signed on its behalf by:


RR Miller
Director


JP Vincent
Director

Cash flow statement
for the year ended 31 December 2004

	<i>Note</i>	2004 £	2003 £
Net cash inflow/(outflow) from operating activities	19	3,456,203	(4,534,096)
Returns on investments and servicing of finance	20	(797,205)	(607,537)
Taxation		(200,993)	-
Capital expenditure	20	(69,495)	(90,890)
Cash inflow/(outflow) before financing		<u>2,388,510</u>	<u>(5,232,523)</u>
Financing	20	(2,262,795)	5,266,242
Increase in cash in the year		<u><u>125,715</u></u>	<u><u>33,719</u></u>

Reconciliation of net cash flow to movement in net debt
for the year ended 31 December 2004

	<i>Note</i>	2004 £	2003 £
Increase in cash in the year		125,715	33,719
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing		2,262,795	(5,266,242)
New hire purchase contracts		-	(18,728)
Movement in net debt in the year		<u>2,388,510</u>	<u>(5,251,251)</u>
Net debt at the start of the year		<u>(6,793,130)</u>	<u>(1,541,879)</u>
Net debt at the end of the year	21	<u><u>(4,404,620)</u></u>	<u><u>(6,793,130)</u></u>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements except as noted below:

Basis of preparation

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

Comparative figures

The prior year figures have been restated to reflect a re-categorisation of certain balances included within stock, creditors and debtors which the directors believe provides a more accurate presentation. There is no impact on the reported profit and loss account for either the current or prior year.

Fixed assets and depreciation

Depreciation is provided to write off the cost, less the estimated residual value of tangible fixed assets by equal instalments over their expected useful lives, as follows:

Short leasehold improvements	33.3%
Fixtures, fittings and equipment	33.3%
Motor vehicles	33.3%

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from the those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Stock

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

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents the invoiced value, net of value added tax, of goods sold to customers.

Notes (continued)

1 Accounting policies (continued)

Cash

Cash for the purpose of the cashflow statement comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

2 Analysis of turnover

By geographical market

	2004 £	2003 £
United Kingdom	56,110,528	51,430,097
Rest of Europe	9,448,018	7,899,673
	<u>65,558,546</u>	<u>59,329,770</u>

3 Profit on ordinary activities before taxation

	2004 £	2003 £
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Profit on ordinary activities before taxation is stated after charging

Auditors remuneration:		
Audit	16,500	13,255
Other services	7,950	12,557
Depreciation of tangible fixed assets:		
Owned assets	70,848	46,624
Assets on hire purchase	10,342	10,342
Hire of other assets – operating leases	111,120	103,813
	<u>166,760</u>	<u>186,589</u>

4 Remuneration of directors

	2004 £	2003 £
Directors' emoluments	514,014	400,528
Company contributions to money purchase pension schemes	40,813	44,296
	<u>554,827</u>	<u>444,824</u>

The aggregate of emoluments of the highest paid director was £132,668 (2003: £103,322) and company pension contributions of £10,828 (2003: £11,244) were made to a money purchase pension scheme on his behalf.

	Number of directors 2004	2003
Retirement benefits accruing to the following number of directors under:		
Money purchase schemes	5	5

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	Number of employees	
	2004	2003
Administration and directors	33	26

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	1,410,591	1,079,374
Social security costs	126,385	92,965
Other pension costs	92,376	44,296
	<u>1,629,352</u>	<u>1,216,635</u>

6 Interest payable and similar charges

	2004 £	2003 £
Interest on bank loans	372,325	199,887
Other interest	466,380	407,650
	<u>838,705</u>	<u>607,537</u>

7 Taxation

Analysis of charge in year

	£	2004 £	£	2003 £	£
<i>UK corporation tax</i>					
Current tax on income for the year		382,189		200,991	
Total current tax		<u>382,189</u>		<u>200,991</u>	
<i>Deferred tax (see note 13)</i>					
Origination/reversal of timing differences	(9,590)		29,195		
Adjustment in respect of previous years	<u>(20,100)</u>		<u>(21,425)</u>		
Total deferred tax		<u>(29,690)</u>		<u>7,770</u>	
Tax on profit on ordinary activities		<u>352,499</u>		<u>208,761</u>	

Notes (continued)

7 Taxation (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2003: *higher*) than the standard rate of corporation tax in the UK 30% (2003: 30%). The differences are explained below:

	2004 £	2003 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	1,106,296	558,587
	<hr/>	<hr/>
Current tax at 30% (2003: 30%)	331,889	167,576
	<hr/>	<hr/>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	18,244	51,581
Depreciation for year in excess of capital allowances	6,977	3,380
Utilisation of tax losses	-	(21,546)
Other timing differences	25,079	-
	<hr/>	<hr/>
Total current tax charge (see above)	382,189	200,991
	<hr/>	<hr/>

Factors that may affect future current and total tax charges

There are no factors expected to affect future current and total tax charges.

8 Tangible fixed assets

	Short leasehold improvements £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
<i>Cost</i>				
At beginning of year	64,387	121,996	31,026	217,409
Additions	24,548	44,947	-	69,495
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	88,935	166,943	31,026	286,904
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	13,879	38,735	10,342	62,956
Charge for the year	20,125	50,723	10,342	81,190
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	34,004	89,458	20,684	144,146
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2004	54,931	77,485	10,342	142,758
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	50,508	83,261	20,684	154,453
	<hr/>	<hr/>	<hr/>	<hr/>

Included in the total net book value of motor vehicles is £10,342 (2003: £20,684) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £10,342 (2003: £10,342).

Notes (continued)

9 Stocks

	2004 £	Restated 2003 £
Raw materials and consumables	12,976,395	17,833,424

10 Debtors

	2004 £	Restated 2003 £
Trade debtors	9,698,380	9,063,366
Amounts owed by group undertakings	-	13,524
Other debtors	380,283	1,536,498
Deferred tax asset (see note 13)	21,920	-
Prepayments	120,892	135,837
	<u>10,221,475</u>	<u>10,749,225</u>

Trade debtors are subject to invoice discounting.

11 Creditors: amounts falling due within one year

	2004 £	Restated 2003 £
Bank loans and overdrafts (secured)	4,591,589	6,840,777
Obligations under finance leases and hire purchase contracts (secured)	9,463	9,364
Trade creditors	899,387	1,002,734
Amounts owed to group undertakings	13,086,625	18,944,876
Corporation tax	382,187	200,991
Other taxation and social security	40,338	38,179
Other creditors	2,391,200	922,320
Accruals and deferred income	827,322	271,950
	<u>22,228,111</u>	<u>28,231,191</u>

Bank loans and overdrafts are secured by way of a debenture containing a fixed and floating charge over the company's assets.

Obligations under finance leases and hire purchase contracts are secured over the asset to which they relate.

Notes (continued)

12 Creditors: Amounts falling due after more than one year

	2004 £	2003 £
Obligations under finance leases hire purchase contracts (secured – see note 11)	-	9,364
The maturity of obligations under finance leases and hire purchase contracts is as follows:		
Within one year	9,463	9,364
In the second to fifth years	-	9,364
	<u>9,463</u>	<u>18,728</u>

13 Deferred tax

	£
Deferred tax liability at beginning of year	(7,770)
Charge to the profit and loss for the year	29,690
Deferred tax asset at end of year (see note 10)	<u>21,920</u>

The elements of deferred taxation are as follows:

	2004 £	2003 £
Difference between accumulated depreciation and capital allowances	9,257	2,280
Other timing differences	12,663	(10,050)
	<u>21,920</u>	<u>(7,770)</u>

14 Called up share capital

	2004 £	2003 £
<i>Authorised:</i>		
300,000 ordinary shares of £1 each	300,000	300,000
<i>Allotted, called up and fully paid:</i>		
300,000 ordinary shares of £1 each	300,000	300,000

Notes (continued)

15 Profit and loss account

	£
At beginning of year	255,152
Retained profit for the year	753,797
	<hr/>
At end of year	1,008,949
	<hr/>

16 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Profit for the financial year and net addition to shareholders' funds	753,797	349,826
Opening shareholders' funds	555,152	205,326
	<hr/>	<hr/>
Closing shareholders' funds	1,308,949	555,152
	<hr/>	<hr/>

17 Commitments

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

	Land and buildings		Other	
	2004 £	2003 £	2004 £	2003 £
Operating leases which expire:				
Within one year	-	-	17,790	-
In the second to fifth years inclusive	47,500	47,500	41,887	54,141
	<hr/>	<hr/>	<hr/>	<hr/>
	47,500	47,500	59,677	54,141
	<hr/>	<hr/>	<hr/>	<hr/>

18 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £92,376 (2003: £44,296).

There were outstanding contributions of £12,208 (2003: £8,500) at the end of the financial year.

Notes (continued)

19 Reconciliation of operating profit to net cash outflow from operating activities

	2004 £	2003 £
Operating profit	1,945,001	1,166,124
Depreciation charges	81,190	56,966
Decrease/(increase) in stocks	4,857,029	(12,763,390)
Decrease/(increase) in debtors	549,670	(4,529,745)
(Decrease)/increase in creditors	(3,976,687)	11,535,949
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	3,456,203	(4,534,096)
	<hr/>	<hr/>

20 Analysis of cash flows

	2004 £	2003 £
Returns on investments and servicing of finance		
Interest paid	(797,205)	(607,537)
	<hr/>	<hr/>
Capital expenditure		
Purchase of tangible fixed assets	(69,495)	(90,890)
	<hr/>	<hr/>
Financing		
Movement in short term loans	(2,253,530)	5,266,242
Capital element of finance lease repayments	(9,265)	-
	<hr/>	<hr/>
	(2,262,795)	5,266,242
	<hr/>	<hr/>

21 Analysis of net debt

	1 January 2004 £	Cash flow £	31 December 2004 £
Cash at bank and in hand	66,375	130,057	196,432
Overdrafts	(32,928)	(4,342)	(37,720)
		<hr/>	
		125,715	
Finance leases	(18,728)	9,265	(9,463)
Debts falling due within one year	(6,807,849)	2,253,530	(4,553,869)
	<hr/>	<hr/>	<hr/>
Net debt	(6,793,130)	2,388,510	(4,404,620)
	<hr/>	<hr/>	<hr/>

Notes (continued)

22 Related party transactions

During the year, the company has purchased goods from CPF Europe SA the immediate parent company amounting to £41,393,238 (2003: £45,925,858) and CP Merchandising Company Limited, a fellow subsidiary undertaking, amounting to £951,221 (2003: £159,858).

At the year end the company owed CPF Europe SA £13,052,911 (2003: £18,862,231) and CP Merchandising Company Limited £33,714 (2003: £82,645) which is included within creditors.

During the year interest of £354,870 (2003: £377,650) has been charged by CPF Europe SA relating to the amounts due. At the year end £30,000 remains outstanding and is included within accruals (2003: £Nil).

23 Ultimate parent company and parent undertaking of large group of which the company is a member

The company is a subsidiary undertaking of CPF Europe SA incorporated in Belgium.

The largest group in which the results of the company are consolidated is headed by Charoen Pokphand Foods Public Company Limited, incorporated in Thailand. The consolidated accounts of this company are available to the public and may be obtained from 313, CP Tower, Silom Road, Bangrak, Bangkok 10500, Thailand.

24 Ultimate controlling party

The ultimate controlling party of the company is Charoen Pokphand Foods Public Company Limited, a company incorporated in Thailand, by virtue of its majority shareholding.