

Complan Foods Limited

Financial statements

For the period from 27 July 2003 to 24 July 2004

Grant Thornton 



A25
COMPANIES HOUSE

RBP7D497

0231
08/04/05

Company No. 04418784

Company information

Company registration number

04418784

Registered office

Bridge House
Bridge Street
Staines
Middlesex
TW18 4TW

Directors

Jan Boers
Andrew Leek
Kenneth Manley
Kathryn Naylor

Secretary

Andrew Leek

Bankers

Barclays Bank Plc
50 Pall Mall
PO Box 15161R
London
SW1A 1QA

Solicitors

Olswang
90 High Holborn
London
WC1V 6XX

Auditors

Grant Thornton UK LLP
Chartered Accountants
Registered Auditors
Churchill House
Chalvey Road East
Slough
Berkshire
SL1 2LS

Index

Report of the directors	3 - 4
Report of the independent auditors	5 - 6
Principal accounting policies	7
Profit and loss account	8
Balance sheet	9
Cash flow statement	10
Notes to the financial statements	11 - 18

Report of the directors

The directors present their report and the financial statements of the company for the period from 27 July 2003 to 24 July 2004.

Principal activities and business review

The company operates principally as a marketer of vitamin and mineral fortified food products.

Over the year company has continued to review and update its marketing plans for its brands. The financial results are in line with expectations.

Results and dividends

The trading results for the period, and the company's financial position at the end of the period are shown in the attached financial statements.

The directors have not recommended a dividend.

The directors and their interests in shares of the company

The directors who served the company during the period together with their beneficial interests in the shares of the company were as follows:

	Class of share	At 24 July 2004	At 27 July 2003 or later date of appointment
Jan Boers	Ordinary 'A' shares	—	—
	Ordinary 'C' shares	—	—
Andrew Leek	Ordinary 'A' shares	4,442	4,442
	Ordinary 'C' shares	—	—
Kenneth Manley	Ordinary 'A' shares	77,102	77,102
	Ordinary 'C' shares	—	—
Kathryn Naylor	Ordinary 'A' shares	—	—
	Ordinary 'C' shares	30,000	30,000

Jan Boers was appointed as a director on 14 May 2004.

Lawrence Balfe retired as a director on 9 January 2004.

Alan Gavin retired as a director on 14 May 2004.

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 at the end of the period and of the profit or loss for the period then ended. 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



Andrew Leek
Secretary

Date: 15th March 2005

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

We have audited the financial statements of Complan Foods Limited for the period from 27 July 2003 to 24 July 2004 which comprise the principal accounting policies, profit and loss account, balance sheet, cash flow statement and notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the report of the directors and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

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 other information contained in the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 affairs of the company as at 24 July 2004 and of its loss for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON THAMES VALLEY OFFICE
SLOUGH

Date: 1 April 2005

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

The principal accounting policies of the company are set out below. The directors have reviewed the policies and consider them to be the most appropriate.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts and is recognised upon receipt of goods by customers.

Amortisation

Amortisation is calculated so as to write off the cost of purchased intangible fixed assets over the useful economic life of that asset as follows:

Brands - 10 years straight line

Stocks

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

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

Financial instruments

Interest arising on loan notes is recognised on the accruals basis, and charged to the profit and loss account in the financial period to which it relates.

Profit and loss account

	Note	Period from 27 Jul 03 to 24 Jul 04 £	Period from 17 Apr 02 to 26 Jul 03 £
Turnover	1	5,688,398	5,730,516
Cost of sales		(2,760,992)	(2,557,613)
Gross profit		2,927,406	3,172,903
Administrative expenses		(2,585,037)	(2,615,067)
Operating profit	2	342,369	557,836
Interest receivable		7,578	5,056
Interest payable	5	(661,130)	(674,889)
Loss on ordinary activities before taxation		(311,183)	(111,997)
Tax on loss on ordinary activities	6	93,355	32,091
Loss for the financial period		(217,828)	(79,906)

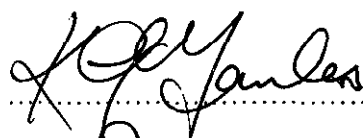
All of the activities of the company are classed as continuing.

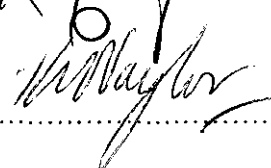
The company has no recognised gains or losses other than the results for the period as set out above.

Balance sheet

	Note	24 Jul 04 £	26 Jul 03 £
Fixed assets			
Intangible assets	7	<u>7,336,324</u>	<u>8,253,364</u>
Current assets			
Stocks	8	243,992	199,692
Debtors	9	809,563	682,804
Cash at bank		<u>653,529</u>	<u>702,875</u>
		<u>1,707,084</u>	<u>1,585,371</u>
Creditors: amounts falling due within one year	11	<u>(1,571,606)</u>	<u>(1,062,169)</u>
Net current assets		<u>135,478</u>	<u>523,202</u>
Total assets less current liabilities		<u>7,471,802</u>	<u>8,776,566</u>
Creditors: amounts falling due after more than one year	12	<u>(6,789,536)</u>	<u>(7,876,472)</u>
		<u>682,266</u>	<u>900,094</u>
Capital and reserves			
Called-up equity share capital	16	980,000	980,000
Profit and loss account	17	<u>(297,734)</u>	<u>(79,906)</u>
Shareholders' funds	18	<u>682,266</u>	<u>900,094</u>

These financial statements were approved by the Board of directors on 15 March 2005 and are signed on their behalf by:

 (Director)

 (Director)

Cash flow statement

	Note	Period from 27 Jul 03 to 24 Jul 04 £	Period from 17 Apr 02 to 26 Jul 03 £
Net cash inflow from operating activities	19	1,304,407	1,225,187
Returns on investments and servicing of finance			
Interest received		7,578	5,056
Interest paid		<u>(389,261)</u>	<u>(629,032)</u>
Net cash outflow from returns on investments and servicing of finance		(381,683)	(623,976)
Capital expenditure			
Payments to acquire intangible fixed assets		<u>(72,070)</u>	<u>(9,098,336)</u>
Net cash outflow from capital expenditure		(72,070)	(9,098,336)
Financing			
Issue of equity share capital		–	980,000
Issue of loan notes		–	2,020,000
(Repayment of)/new bank loans		<u>(900,000)</u>	<u>6,200,000</u>
Net cash (outflow)/inflow from financing		(900,000)	9,200,000
(Decrease)/increase in cash	19	<u>(49,346)</u>	<u>702,875</u>

1 Turnover

The turnover and loss before tax are attributable to the principal activity of the company. No segmental information has been disclosed as, in the opinion of the directors, this would be prejudicial to the interests of the company.

2 Operating profit

Operating profit is stated after charging:

	Period from 27 Jul 03 to 24 Jul 04 £	Period from 17 Apr 02 to 26 Jul 03 £
Amortisation	917,040	917,041
Auditors' remuneration:		
Audit fees	8,750	6,500
Operating lease costs:		
Land and buildings	21,732	15,000

3 Directors and employees

The average number of staff employed by the company during the financial period was 4 (2003: 4).

The aggregate payroll costs of the above were:

	Period from 27 Jul 03 to 24 Jul 04 £	Period from 17 Apr 02 to 26 Jul 03 £
Wages and salaries	396,953	267,983
Social security costs	43,321	27,610
	<u>440,274</u>	<u>295,593</u>

4 Directors

Remuneration in respect of directors was as follows:

	Period from 27 Jul 03 to 24 Jul 04 £	Period from 17 Apr 02 to 26 Jul 03 £
Emoluments received	<u>164,757</u>	<u>194,560</u>

Included above is an amount of £8,320 (2003: £nil) paid to a third party for the services of a director.

5 Interest payable and similar charges

	Period from 27 Jul 03 to 24 Jul 04 £	Period from 17 Apr 02 to 26 Jul 03 £
Bank loans and overdraft	<u>661,130</u>	<u>674,889</u>

6 Taxation on ordinary activities

	Period from 27 Jul 03 to 24 Jul 04 £	Period from 17 Apr 02 to 26 Jul 03 £
Current tax:		
United Kingdom corporation tax of 30% (2003 - 30%)	-	-
Deferred tax:		
Increase in deferred tax asset (see note 10)	<u>(93,355)</u>	<u>(32,091)</u>

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period differs from the standard rate of corporation tax in the UK of 30% (2003 - 30%). The differences are explained as follows:

	Period from 27 Jul 03 to 24 Jul 04 £	Period from 17 Apr 02 to 26 Jul 03 £
Loss on ordinary activities before taxation	<u>(311,183)</u>	<u>(111,997)</u>
Expected corporation tax charge/(credit)	(93,355)	(33,599)
Expenses not deductible for tax purposes	-	1,508
Movement on deferred tax asset	<u>93,355</u>	<u>32,091</u>
Total current tax	<u>-</u>	<u>-</u>

7 Intangible fixed assets

	Brands £
Cost	
At 27 July 2003 and 24 July 2004	<u>9,170,405</u>
Amortisation	
At 27 July 2003	917,041
Charge for the period	<u>917,040</u>
At 24 July 2004	<u>1,834,081</u>
Net book value	
At 24 July 2004	<u>7,336,324</u>
At 26 July 2003	<u>8,253,364</u>

8 Stocks

	24 Jul 04 £	26 Jul 03 £
Finished goods	<u>243,992</u>	<u>199,692</u>

9 Debtors

	24 Jul 04 £	26 Jul 03 £
Trade debtors	575,290	531,969
Other debtors	103,877	114,999
Prepayments and accrued income	4,950	3,745
Deferred taxation (note 10)	125,446	32,091
	<u>809,563</u>	<u>682,804</u>

Included within other debtors is an amount of £50,000 (2003: £nil) which represents an unsecured interest bearing loan to the Complan Foods Limited Employee Benefit Trust to facilitate the acquisition of shares in the company from a previous shareholder (see note 11).

10 Deferred taxation

	Period from 27 Jul 03 to 24 Jul 04 £	Period from 17 Apr 02 to 26 Jul 03 £
The movement in the deferred taxation account during the period was:		
Balance brought forward	(32,091)	–
Profit and loss account movement arising during the period	(93,355)	(32,091)
Balance carried forward	<u>(125,446)</u>	<u>(32,091)</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	24 Jul 04 £	26 Jul 03 £
Tax losses available	76,966	8,091
Other timing differences	48,480	24,000
	<u>125,446</u>	<u>32,091</u>

11 Creditors: amounts falling due within one year

	24 Jul 04 £	26 Jul 03 £
Bank loans	799,052	340,247
Trade creditors	449,020	394,859
Other taxation and social security	32,771	11,280
Other creditors	56,149	15,647
Accruals and deferred income	234,614	300,136
	<u>1,571,606</u>	<u>1,062,169</u>

Included within other creditors is an amount of £50,000 (2003: £nil) which represents an unsecured, interest bearing loan received from shareholders for the sole purpose of onward lending to the Complan Foods Limited Employee Benefit Trust (see note 9).

12 Creditors: amounts falling due after more than one year

	24 Jul 04 £	26 Jul 03 £
Loan notes	2,424,004	2,220,004
Bank loans	4,365,532	5,656,468
	<u>6,789,536</u>	<u>7,876,472</u>

Bank loans

The bank loans are secured by a fixed and floating charge over the company's assets and an assignment of all rights, titles and interest in the acquired brands. The borrowings above are stated net of related issue costs of £135,416 (2003: £195,877). A charge of £67,869 (2003: £66,792) was taken to the profit and loss account during the year in relation to the related issue costs.

The bank loans are repayable in bi-annual installments from 31 January 2004 to 31 July 2009 and carry interest at 2.25% to 3.5% above LIBOR.

Loan notes

Loan notes comprise 10% fixed rate unsecured notes (fully redeemable on 1 August 2009) issued in connection with the acquisition of the Brands in 2003. Interest accruing is payable on redemption of the loans.

13 Creditors - capital instruments

Creditors include finance capital which is due for repayment as follows:

	24 Jul 04 £	26 Jul 03 £
Amounts repayable:		
In one year or less or on demand	799,052	340,247
In more than one year but not more than two years	909,929	799,069
In more than two years but not more than five years	3,212,498	3,252,977
In more than five years	2,667,109	3,824,426
	<u>7,588,588</u>	<u>8,216,719</u>

14 Leasing commitments

At 24 July 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	24 Jul 04	26 Jul 03
	£	£
Operating leases which expire:		
Within 1 year	8,625	—

15 Related party transactions

In accordance with a supply agreement and service agreement, the company entered into trading transactions in the year on normal commercial terms with H.J.Heinz Company Limited ("Heinz"), a company related by virtue of its 34% holding of voting rights, to the value of £2,654,000 (2003 - £2,706,000). The net balance receivable from Heinz at 24 July 2004 amounted to £246,000 (26 July 2003 - £276,000).

16 Share capital

Authorised share capital:

	24 Jul 04	26 Jul 03
	£	£
510,000 Ordinary 'A' shares of £1 each	510,000	510,000
340,000 Ordinary 'B' shares of £1 each	340,000	340,000
150,000 Ordinary 'C' shares of £1 each	150,000	150,000
100,000 Undesignated ordinary shares of £1 each	100,000	100,000
	<u>1,100,000</u>	<u>1,100,000</u>

Allotted, called up and fully paid:

	24 Jul 04		26 Jul 03	
	No	£	No	£
Ordinary 'A' shares of £1 each	510,000	510,000	510,000	510,000
Ordinary 'B' shares of £1 each	340,000	340,000	340,000	340,000
Ordinary 'C' shares of £1 each	130,000	130,000	130,000	130,000
	<u>980,000</u>	<u>980,000</u>	<u>980,000</u>	<u>980,000</u>

The holders of the ordinary 'A' shares may appoint two members of the Board of Directors and the holders of the ordinary 'B' shares, one member. Holders of the ordinary 'C' shares are appointed directly as members. In all other respects, each class of shares ranks pari passu and carries equal voting rights.

17 Profit and loss account

	Period from 27 Jul 03 to 24 Jul 04 £	Period from 17 Apr 02 to 26 Jul 03 £
Balance brought forward	(79,906)	–
Accumulated loss for the financial period	(217,828)	(79,906)
Balance carried forward	<u>(297,734)</u>	<u>(79,906)</u>

18 Reconciliation of movements in shareholders' funds

	24 Jul 04 £	26 Jul 03 £
Loss for the financial period	(217,828)	(79,906)
New equity share capital subscribed	–	980,000
Net (reduction)/addition to funds	<u>(217,828)</u>	<u>900,094</u>
Opening shareholders' equity funds	900,094	–
Closing shareholders' equity funds	<u>682,266</u>	<u>900,094</u>

19 Notes to the statement of cash flows**Reconciliation of operating profit to net cash inflow from operating activities**

	Period from 27 Jul 03 to 24 Jul 04 £	Period from 17 Apr 02 to 26 Jul 03 £
Operating profit	342,369	557,836
Amortisation	917,040	917,041
Increase in stocks	(44,300)	(199,692)
Increase in debtors	16,596	(650,713)
Increase in creditors	72,702	600,715
Net cash inflow from operating activities	<u>1,304,407</u>	<u>1,225,187</u>

19 Notes to the statement of cash flows (continued)**Reconciliation of net cash flow to movement in net debt**

	24 Jul 04 £	26 Jul 03 £
(Decrease)/increase in cash in the period	(49,346)	702,875
Net cash inflow from loan notes	—	(2,020,000)
Net cash outflow/(inflow) from bank loans	900,000	(6,200,000)
Change in net debt resulting from cash flows	850,654	(7,517,125)
Other differences (see below)	(271,869)	3,281
Movement in net debt in the period	578,785	(7,513,844)
Net debt at 27 July 2003	(7,513,844)	—
Net debt at 24 July 2004	(6,935,059)	(7,513,844)

Analysis of changes in net debt

	At 27 Jul 2003 £	Cash flows £	Other changes £	At 24 Jul 2004 £
Net cash:				
Cash in hand and at bank	702,875	(49,346)	—	653,529
Debt:				
Debt due within 1 year	(340,247)	400,000	(858,805)	(799,052)
Debt due after 1 year	(7,876,472)	500,000	586,936	(6,789,536)
	(8,216,719)	900,000	(271,869)	(7,588,588)
Net debt	(7,513,844)	850,654	(271,869)	(6,935,059)

Net other changes of £271,869 are in respect of accrued interest of £204,000 added to the principal debt, together with the release of prepaid finance cost of £67,869.

20 Contingent assets/liabilities

There no contingent assets or liabilities at 24 June 2004 or 26 July 2003

21 Capital commitments

The company had no capital commitments at 24 July 2004 or 26 July 2003.

22 Controlling related party

The ultimate controlling related party is considered to be the individual holders of the ordinary 'A' shares by virtue of a shareholders' agreement requiring them to vote en bloc.