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BUDGEN LIMITED
FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED
28TH DECEMBER 1985

WILKINS, KENNEDY & CO
Chartered Accountants
Bridge House
London Bridge
London SE1 9QR

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BUDGEN LIMITED

REPORT OF THE DIRECTORS

The directors present their report and financial statements for the 52 weeks ended 28th December 1985.

PRINCIPAL ACTIVITY

The principal activity of the Company is retail food distribution.

REVIEW OF BUSINESS

The results for the year are set out in the profit and loss account on page 5.

Last year's report recorded Booker McConnell PLC's acquisition of Bishop's Group PLC. The assets and liabilities of Bishop's Foodstores Limited were taken over by the Company at 30th December 1984. The turnover of the former Bishop's stores is included in these accounts for the whole year.

The year has been highly successful in terms of both turnover and profit. Seven new Budgen and seven Zipin! stores were opened during the year.

The Company's investment in convenience stores was advanced during the year with eleven stores trading at the year-end.

DIVIDENDS

During the year a dividend of £1,609,000 was paid.

FIXED ASSETS

Movements in the fixed assets of the Company are set out in notes 10 and 11 to the financial statements.

The Directors are of the opinion that the market value of freehold and leasehold properties are similar to those at which they are included in the Balance Sheet.

DIRECTORS

The Directors who served throughout the period were as follows:

K J Bootyman
R Bray
W Grimsey
R G Maude-Roxby
B J Skipper
M W Thomas
K Porteous Wood

Subsequent to 28th December, 1985, G.F. Fresacher and T.A.J. Sanders were appointed as Directors and M.W. Thomas resigned.

BUDGEN LIMITED
REPORT OF THE DIRECTORS
(Continued)

DIRECTORS' SHAREHOLDINGS AND SHARE OPTIONS

The following directors held shares and share options in Booker McConnell Plc 25p Ordinary Shares as follows:

	<u>Shareholding</u>		<u>Share Options</u>	
	<u>28.12.85</u>	<u>29.12.84</u>	<u>28.12.85</u>	<u>29.12.84</u>
K J Bootyman	Nil	Nil	25,000	17,500
R Bray	Nil	Nil	34,000	44,000
W Grimsey	Nil	Nil	15,000	7,500
R G Maude-Roxby	1,600	1,600	25,030	17,530
M W Thomas	Nil	Nil	11,459	6,459
K Porteous Wood	Nil	Nil	25,173	17,673

Mr B J Skipper is also a Parent Company Director. His shareholdings and share options are disclosed in the Parent Company's financial statements.

CHARITABLE DONATIONS

£ 520

EMPLOYMENT OF DISABLED PERSONS

It is the Company's policy to give full and fair consideration to applications for employment by disabled persons, having regard to their particular experience, aptitudes and abilities and mindful that the willingness and conscientiousness of many disabled persons go far to counter-balance their disability. It is also the Company's policy, where appropriate, to train, promote and develop the careers of disabled employees.

If employees become disabled while they are in the Company's employment, it is the Company's policy to continue to employ them where practical or, if necessary and feasible, to rehabilitate them in appropriate alternative employment.

EMPLOYEE INVOLVEMENT

with nearly 3,600 permanent staff working in around 160 units the Company has a particular need to ensure that effective communication to its staff exists in order that they are aware of the key points in the Company's changing business environment.

The principal vehicle for communicating with staff is the Company newspaper 'The Trader' which is published six times per annum. This is supported by the regular issue of management bulletins, notices of staff changes plus job vacancy notices, all designed to achieve a common awareness on the part of the employees.

Managers were encouraged to hold regular briefing and consultative meetings with staff during the year to ensure a greater involvement in the Company's affairs.

The Group SAYE share option scheme was promulgated for the sixth successive year.

BUDGEN LIMITED

REPORT OF THE DIRECTORS
(Continued)

The Parent Company, Booker McConnell PLC, operates a pension and life assurance scheme, of which eligible employees in the Company are members. The Board of Bookers Pensions (the Trustee) is made up of members of the fund drawn from several Group companies and a variety of types of employment. Each member of the pension fund receives a copy of its annual report together with a personalised benefit statement of pension entitlement.

AUDITORS

Wilkins, Kennedy & Co have expressed their willingness to continue in office and a resolution for their reappointment will be proposed at the Annual General Meeting.

By order of the Board



N.E. HOLT

Secretary

13th March 1986

BUDGEN LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements on pages 5 to 14 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 28th December 1985 and of its profit and source and application of funds for the 52 weeks then ended and comply with the Companies Act 1985.

Bridge House
London Bridge
London SE1 9QR



WILKINS, KENNEDY & CO
Chartered Accountants

13th March 1986

BUDGEN LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE 52 WEEKS ENDED 28TH DECEMBER 1985

	<u>Notes</u>	£	<u>1985</u> £	£	<u>1984</u> £
TURNOVER	2		211,508,807		102,004,267
Cost of sales			203,424,742		97,623,780
GROSS PROFIT			8,084,065		4,380,487
Distribution costs		485,357		252,163	
Administrative expenses		2,803,913		1,539,756	
			3,289,270		1,791,919
TRADING PROFIT	3 to 5		4,794,795		2,588,568
Profit on sale of fixed assets and goodwill		127,784		213,629	
Interest receivable	6	308,192		22,579	
Income from fixed asset investments		572,000		-	
			1,007,976		236,208
			5,802,771		2,824,776
Interest payable	7		31,465		46,677
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			5,771,306		2,778,099
Taxation charge on ordinary activities	8		1,630,585		999,244
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			4,140,721		1,778,855
Extraordinary items after taxation	9		-		321,000
PROFIT FOR THE PERIOD			4,140,721		1,457,855
Dividends paid			1,609,000		261,000
			2,531,721		1,196,855
RETAINED PROFITS - Start of period			2,344,013		1,147,158
RETAINED PROFITS - End of period			£4,875,734		£2,344,013

The notes on pages 8 to 14 form part of the financial statements.

BUDGEN LIMITED

BALANCE SHEET

AS AT 28TH DECEMBER 1985

	<u>Notes</u>	<u>1985</u>	<u>1984</u>
		£	£
FIXED ASSETS			
Tangible assets	10	20,362,207	10,564,435
Investments in subsidiaries	11	12,954,141	12,954,141
		<u>33,316,348</u>	<u>23,518,576</u>
CURRENT ASSETS			
Stocks	14	11,513,990	5,915,119
Debtors	15	7,277,009	1,619,176
Cash at bank and in hand		2,572,866	2,255,177
		<u>21,264,065</u>	<u>9,789,472</u>
CREDITORS: Amounts falling due within one year	16	27,792,037	10,703,035
NET CURRENT LIABILITIES		<u>(6,527,972)</u>	<u>(913,563)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>26,788,376</u>	<u>22,605,013</u>
CREDITORS: Amounts falling due after more than one year	16	(1,342,000)	(1,042,000)
PROVISION FOR LIABILITIES AND CHARGES	17	<u>(1,670,642)</u>	<u>(319,000)</u>
NET ASSETS		<u>£23,775,734</u>	<u>£21,244,013</u>
CAPITAL AND RESERVES			
Called up share capital	19	18,900,000	18,900,000
Profit and loss account		4,875,734	2,344,013
		<u>£23,775,734</u>	<u>£21,244,013</u>

The notes on pages 8 to 14 form part of the financial statements.

The financial statements set out on pages 5 to 14 were approved by the Board of Directors on 13th March 1986 and were signed on its behalf by:-

.....
R BRAY

.....
K PORTEOUS WOOD

)
)
) Directors
)
)

BUDGEN LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE 52 WEEKS ENDED 28TH DECEMBER 1985

	<u>1985</u>		<u>1984</u>	
	£ 000's	£ 000's	£ 000's	£ 000's
SOURCE OF FUNDS				
Profit before taxation		5,771		2,778
Adjustment for items not involving the movement of funds:				
Depreciation	2,355		1,380	
Profit on sale of fixed assets	(128)		(214)	
		<u>2,227</u>		<u>1,166</u>
TOTAL FUNDS GENERATED BY OPERATIONS		7,998		3,944
FUNDS FROM OTHER SOURCES				
Increase in share capital	-		12,954	
Proceeds of sale of fixed assets	519		1,030	
		<u>519</u>		<u>13,984</u>
		8,517		17,928
APPLICATION OF FUNDS				
Purchase of fixed assets, net of transfers	12,614		4,827	
Dividends paid	1,609		261	
Taxation paid	634		-	
Investment in subsidiaries	-		12,954	
		<u>14,857</u>		<u>18,042</u>
		<u>£(6,340)</u>		<u>£ (114)</u>
INCREASE/(DECREASE) IN WORKING CAPITAL				
Stocks	5,599		(389)	
Debtors	5,558		(472)	
Creditors	(17,815)		(1,505)	
		<u>(6,658)</u>		<u>(2,366)</u>
Movement in net liquid funds:				
Increase in bank balance		<u>318</u>		<u>2,252</u>
		<u>£(6,340)</u>		<u>£ (114)</u>

The notes on pages 8 to 14 form part of the financial statements.

BUDGEN LIMITED

NOTES TO THE ACCOUNTS

FOR THE 52 WEEKS ENDED 28TH DECEMBER 1985

1. ACCOUNTING POLICIES

The following accounting policies have been used consistently dealing with items which are considered material in the Company's accounts.

(a) Basis of accounting

The accounts have been prepared under the historical cost convention in accordance with the Companies Act 1985.

(b) Consolidation

In accordance with S229 (2) Companies Act 1985, group accounts are not presented.

(c) Depreciation

Leasehold properties are amortised evenly over the periods of the leases and other fixed assets are depreciated over their useful lives on a straight-line basis as follows:

Motor Vehicles	4 years
Fixtures and Fittings	3 - 8 years

No depreciation was provided on freehold land and buildings up to 31st December 1977. Freehold buildings have been depreciated since 1978 evenly over their expected life.

(d) Goodwill

Amounts invested in goodwill as part of the cost of acquisitions are written-off as extraordinary items against profits in the year of acquisition.

(e) Stocks

Stocks are valued at selling price reduced to cost by applying the appropriate gross profit margins.

(f) Deferred Taxation

The Company provides for taxation on the amounts of all timing differences in respect of which is anticipated that taxation will be payable or recoverable in the foreseeable future. The total amount of taxation deferred by all timing differences, including that for which no provision is made in the accounts, is stated in note 18.

(g) Turnover

Turnover represents net sales and is stated exclusive of value added tax.

BUDGEN LIMITED

NOTES TO THE ACCOUNTS
(Continued)

(h) Pension Funding

The Company participates in a pension scheme operated by the Parent Company and fellow UK subsidiaries. The scheme is fully funded and valued triennially by consulting actuaries. Pension contributions by employees and employers are held in trust-administered funds which are separate from the Companies' finances.

2. CLASS OF BUSINESS AND GEOGRAPHICAL MARKET

All turnover and profit before taxation arose from retail food distribution within the United Kingdom.

3. TRADING PROFIT

	<u>1985</u>	<u>1984</u>
	£	£
The trading profit is arrived at after charging:		
Depreciation of tangible fixed assets	2,354,739	1,380,388
Directors' emoluments	222,884	199,034
Auditors' remuneration	33,500	24,484
	<u> </u>	<u> </u>

4. EMPLOYEES

The average number of employees of the Company (excluding directors) and their related costs were as follows:

	<u>1985</u>	<u>1984</u>
Average number	3,603	1,780
	<u> </u>	<u> </u>
	£	£
Wages and salaries	16,278,341	7,584,906
Social security costs	1,281,809	772,324
Pension contributions	319,798	183,098
	<u> </u>	<u> </u>
	17,879,948	8,540,328
	<u> </u>	<u> </u>

BUDGEN LIMITED

NOTES TO THE ACCOUNTS
(Continued)

	<u>1985</u> £	<u>1984</u> £
5. DIRECTORS		
The emoluments of the directors, including pension contributions, were as follows:		
Remuneration for executive services	222,884	169,034
Compensation for loss of office	-	30,000
	<u>222,884</u>	<u>199,034</u>
Particulars of the emoluments of the directors, excluding pension contributions, were as follows:		
Chairman	Nil	Nil
Highest paid director	<u>47,408</u>	<u>43,397</u>
Other directors in the ranges of:		
	<u>Number</u>	<u>Number</u>
Nil to £5,000	-	3
£20,001 to £25,000	-	1
£25,001 to £30,000	2	3
£30,001 to £35,000	3	-
6. INTEREST RECEIVABLE		
This comprises interest from Group Companies.		
7. INTEREST PAYABLE		
This comprises bank and short term interest.		
8. TAXATION ON ORDINARY ACTIVITIES		
The charge in the profit and loss account comprises:		
United Kingdom corporation tax at 41.25% on the profit for the year (1984, 46.25%)	£	£
Current	1,342,000	1,042,000
Deferred	288,585	1,000
	<u>1,630,585</u>	<u>1,043,000</u>
Amounts overprovided in previous years	-	43,756
	<u>1,630,585</u>	<u>999,244</u>

BUDGEN LIMITED
NOTES TO THE ACCOUNTS
(Continued)

9. EXTRAORDINARY ITEM

	<u>1985</u> £	<u>1984</u> £
The extraordinary item comprises:		
Provision for tax deferred by capital allowances	-	<u>321,000</u>

10. TANGIBLE FIXED ASSETS

	<u>Freehold</u>	<u>Leasehold</u>		<u>Motor</u>	<u>Fixtures</u>	
		<u>Long</u>	<u>Short</u>	<u>Vehicles</u>	<u>and</u>	<u>Total</u>
	£	£	£	£	£	£
COST						
At 29.12.84	2,740,878	219,785	1,941,328	310,995	13,950,374	19,163,360
Additions	4,344,035	-	536,514	324,610	5,240,571	10,445,730
Disposals	(112,000)	(103,872)	(80,403)	(164,191)	(1,283,726)	(1,744,192)
Inter group transfers	(678,685)	-	-	211,752	7,379,582	6,912,649
At 28.12.85	<u>6,294,228</u>	<u>115,913</u>	<u>2,397,439</u>	<u>683,166</u>	<u>25,286,801</u>	<u>34,777,547</u>
DEPRECIATION						
At 29.12.84	74,172	25,422	490,853	109,119	7,899,359	8,598,925
Charge for the year	24,872	2,318	94,414	119,332	2,113,803	2,354,739
Disposals	(13,056)	(3,527)	(35,252)	(95,841)	(1,135,227)	(1,282,903)
Inter group transfers	(16,360)	-	-	113,332	4,647,607	4,744,579
At 28.12.85	<u>69,628</u>	<u>24,213</u>	<u>550,015</u>	<u>245,942</u>	<u>13,525,542</u>	<u>14,415,340</u>
NET BOOK VALUE						
At 28.12.85	<u>6,224,600</u>	<u>91,700</u>	<u>1,847,424</u>	<u>437,224</u>	<u>11,761,259</u>	<u>20,362,207</u>
At 29.12.84	<u>2,666,706</u>	<u>194,363</u>	<u>1,450,475</u>	<u>201,876</u>	<u>6,051,015</u>	<u>10,564,435</u>

BUDGEN LIMITED
NOTES TO THE ACCOUNTS
(Continued)

11. INVESTMENTS IN SUBSIDIARIES

	<u>1985</u>	<u>1984</u>
	£	£
Shares at cost, net of amounts written off	13,240,599	286,458
Additions in year - Bishop's Group PLC, at cost	-	12,954,141
	<u>13,240,599</u>	<u>13,240,599</u>
Less: Amounts owing to subsidiaries	286,458	286,458
	<u>12,954,141</u>	<u>12,954,141</u>

12. SUBSIDIARY COMPANIES

The following Companies, each incorporated in England, were 100% subsidiaries of the Company during 1985:

Bishop's Group Limited
Budgen Properties Limited
Murdoch Norton Limited
Richland Pure Food Company Limited

13. HOLDING COMPANY

The Company's holding Company is Booker McConnell PLC (incorporated in England).

14. STOCKS

Stocks consist of goods for resale.

15. DEBTORS

	<u>1985</u>	<u>1984</u>
	£	£
<u>Due within one year</u>		
Trade debtors	127,161	84,066
Other debtors	74,049	53,764
Amounts due from Parent Company	5,952,883	2,256,736
Prepayments	1,023,116	224,610
	<u>7,177,209</u>	<u>1,619,176</u>

BUDGEN LIMITED
NOTES TO THE ACCOUNTS
(Continued)

16. CREDITORS

	<u>Due within one year</u>		<u>Due after more than one year</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	£	£	£	£
Trade creditors	9,405,066	6,424,527	-	-
Amounts due to Group Companies	12,974,401	2,948,058	-	-
Corporation Tax	564,000	60,244	1,342,000	1,042,000
Taxation and social security	1,440,427	364,138	-	-
Other creditors	1,129,058	172,903	-	-
Accruals	2,279,085	733,165	-	-
	<u>27,792,037</u>	<u>10,703,035</u>	<u>1,342,000</u>	<u>1,042,000</u>

17. PROVISION FOR LIABILITIES AND CHARGES

	<u>1985</u>	<u>1984</u>
	£	£
Deferred taxation	(49,000)	319,000
Repairs and reorganisation provision*	1,719,642	-
	<u>1,670,642</u>	<u>319,000</u>

* Transferred from Bishop's Group Limited and subsidiaries

18. DEFERRED TAXATION

Accelerated capital allowances	321,000	321,000
Short term timing differences	(370,000)	(2,000)
	<u>(49,000)</u>	<u>319,000</u>

The total amount of taxation deferred by all timing differences was:

Accelerated capital allowances	2,787,000	1,723,000
Short-time timing differences	(370,000)	(2,000)
	<u>2,417,000</u>	<u>1,721,000</u>

19. SHARE CAPITAL

Ordinary shares of £1 each

Authorised	<u>19,000,000</u>	<u>19,000,000</u>
Allotted, issued and fully paid	<u>18,900,000</u>	<u>18,900,000</u>

BUDGEN LIMITED

NOTES TO THE ACCOUNTS
(Continued)

20. CAPITAL COMMITMENTS

	<u>1985</u> £	<u>1984</u> £
Contracted but not yet provided for	4,569,000	2,499,000
Authorised but not committed	7,672,000	4,247,000

21. LEASING COMMITMENTS

Future minimum lease payments under finance leases are:-

<u>Year</u>	<u>1985</u> £	<u>1984</u> £
1986	240,347	-
1987	154,937	-
1988	67,911	-
	<u>463,195</u>	<u>-</u>
Less finance charges relating to post balance sheet date accounting periods	31,519	-
	<u>431,676</u>	<u>-</u>

At 28th December 1985 the company had annual commitments under non-cancellable operating leases for land and buildings as set out below:-

	<u>1985</u>	<u>1984</u>
Operating leases which expire:-		
Within one year	23,950	1,700
In the second to fifth years inclusive	141,452	117,600
Over five years	2,661,241	1,982,775
	<u>2,826,643</u>	<u>2,102,075</u>

The majority of the operating leases are subject to rent reviews.