

JOHAL DAIRIES LIMITED

FINANCIAL STATEMENTS

30TH SEPTEMBER 1998

Registered number: 2166058



JAVED & CO.

CHARTERED ACCOUNTANTS

Birmingham,

JOHAL DAIRIES LIMITED

FINANCIAL STATEMENTS

for the year ended 30th September 1998

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The following page does not form part of the statutory accounts

Detailed trading and profit and loss account	Appendix 1
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JOHAL DAIRIES LIMITED

COMPANY INFORMATION

30th September 1998

INCORPORATED	England and Wales, 17 September 1987.
NUMBER	2166058
DIRECTORS	Mr Jarnail Singh Johal Mr Shindo Kaur Johal Mr Surbjit Singh Johal Mrs Manjit Kaur Johal Mr Gurnek Singh Johal
SECRETARY	Mrs Manjit Kaur Johal
REGISTERED OFFICE	Cannock Road, Wolverhampton, West Midlands, WV1 4PN.
BANKERS	Barclays Bank Plc, 8 Lichfield Street, Bilston, West Midlands, WV14 0AE.
AUDITORS	Javed & Co. Chartered Accountants, Nova Court, Bristol Street, Birmingham, B5 7AP.

JOHAL DAIRIES LIMITED

DIRECTORS' REPORT

30th September 1998

The directors present their report and the audited financial statements for the year ended 30th September 1998.

Principal activity

The principal activity of the company is that of selling milk and dairy products.

Business review

The company's balance sheet as detailed on page 6 shows a satisfactory position, shareholders' funds amounting to £42,340.

Results and dividends

The results for the year are shown in the profit and loss account on page 5. An ordinary dividend amounting to £175,000 has been paid.

Fixed assets

In the opinion of the directors there is no significant difference between the present market value of the company's properties and the amounts at which they are stated in the accounts. Details are set out in note 9.

Directors

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows

	30th September 1998	1st October 1997
	Ordinary shares	Ordinary shares
Mr Jarnail Singh Johal	-	-
Mr Shindo Kaur Johal	-	-
Mr Surbjit Singh Johal	-	-
Mrs Manjit Kaur Johal	-	-
Mr Gurnek Singh Johal	-	-

In accordance with the Articles of Association, Mr Jarnail Singh Johal retires by rotation and offers himself for re-election.

continued

JOHAL DAIRIES LIMITED

DIRECTORS' REPORT
(continued)

30th September 1998

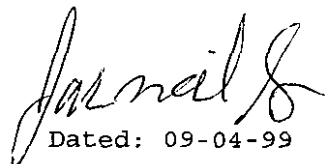
Auditors

Javed & Co. have agreed to offer themselves for re-appointment as auditors of the company.

On behalf of the board

Jamail
Mr ~~Curnek~~ Singh Johal
Director

Cannock Road,
Wolverhampton,
West Midlands,
WV1 4PN.



Dated: 09-04-99

JOHAL DAIRIES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

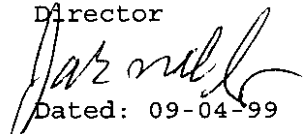
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and 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 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.

On behalf of the board

Jarnail
Mr ~~Gurnek~~ Singh Johal
Director


Dated: 09-04-99

JOHAL DAIRIES LIMITED**AUDITORS' REPORT****Auditors' report to the members of****Johal Dairies Limited**

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3, 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 error or other irregularity. 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 30th September 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Birmingham,

Javed & Co

Javed & Co.
Registered Auditors
Chartered Accountants,

Dated: 09-04-99

JOHAL DAIRIES LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 30th September 1998

	Note	1998 £	1997 £
Turnover	2	7,436,456	7,045,763
Cost of sales		(6,295,458)	(6,146,245)
Gross profit		1,140,998	899,518
Net operating expenses			
Administrative Expenses		(915,544)	(792,787)
Other operating income		22	10,016
Operating profit	3	225,476	116,747
Interest payable	5	(14,954)	(12,931)
Profit on ordinary activities before taxation		210,522	103,816
Taxation	6	(62,475)	(29,490)
Profit on ordinary activities after taxation		148,047	74,326
Dividends	7	(175,000)	(100,000)
Retained loss for the year	17	(26,953)	(25,674)

Movements in reserves are shown in note 17.

None of the company's activities were acquired or discontinued during the above two financial years.

There are no recognised gains and losses in 1998 or 1997 other than the loss for the year.

JOHAL DAIRIES LIMITED

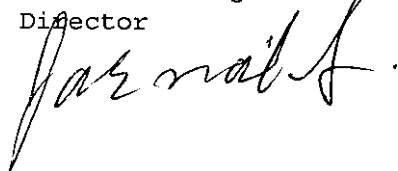
BALANCE SHEET

at 30th September 1998

	Note	1998 £	1997 £
Fixed assets			
Intangible assets	8	97,286	121,608
Tangible assets	9	159,498	139,032
		<u>256,784</u>	<u>260,640</u>
Current assets			
Stocks	11	29,822	31,546
Debtors	12	1,455,582	1,360,737
Cash at bank and in hand		2,735	19,205
		<u>1,488,139</u>	<u>1,411,488</u>
Creditors: amounts falling due within one year	13	(1,702,583)	(1,602,833)
Net current liabilities		<u>(214,444)</u>	<u>(191,345)</u>
Total assets less current liabilities		<u>42,340</u>	<u>69,295</u>
Capital and reserves			
Called up share capital	16	20,000	20,000
Profit and loss account	17	22,340	49,295
Total shareholders' funds	15	<u>42,340</u>	<u>69,295</u>

The financial statements on pages 5 to 16 were approved by the board of directors on 09-04-99 and signed on its behalf by:

Jarnail
Mr ~~Gurnek~~ Singh Johal
Director



JOHAL DAIRIES LIMITED

CASH FLOW STATEMENT

for the year ended 30th September 1998

	Note	1998		1997	
		£	£	£	£
Net cash inflow from operating activities	19	157,650		228,942	
Returns on investments and servicing of finance					
Interest paid		(14,954)		(12,931)	
Taxation					
Corporation tax paid		(29,490)		(22,353)	
Capital expenditure and financial investment					
Purchase of intangible fixed assets		-	(30,000)		
Purchase of tangible fixed assets		(56,282)	(33,196)		
Sale of tangible fixed assets		1,650	12,970		
		(54,632)		(50,226)	
Equity dividends paid		58,574	143,432		
		(175,000)	(100,000)		
(Decrease)/increase in cash		(116,426)	43,432		

JOHAL DAIRIES LIMITED

NOTES ON FINANCIAL STATEMENTS

30th September 1998

1 Accounting policies**Basis of accounting**

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

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

Depreciation

Depreciation is calculated to write off the cost over their estimated useful lives by the reducing balance method at the following rates:

Leasehold land and buildings	0 %
Plant and machinery	15 %
Motor vehicles	25 %
Fixtures and fittings	15 %
Goodwill	20 %

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Pensions**Defined contribution scheme**

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2 Turnover

The turnover for the year was derived from the company's principal activity. The whole of the turnover is attributable to the UK market.

JOHAL DAIRIES LIMITED

NOTES ON FINANCIAL STATEMENTS

30th September 1998

3 Operating profit

	1998 £	1997 £
Operating profit is stated after crediting		
Interest receivable	22	16
Profit on sale of assets	33	6,899
	<u> </u>	<u> </u>
and after charging		
Staff costs (note 4)	519,174	464,315
Auditors' remuneration	4,500	4,500
	<u> </u>	<u> </u>
Depreciation of tangible fixed assets (note 9)		
owned assets	34,199	39,110
Amortisation of intangible fixed assets (note 8)	24,322	30,402
	<u> </u>	<u> </u>
	58,521	69,512
	<u> </u>	<u> </u>

JOHAL DAIRIES LIMITED

NOTES ON FINANCIAL STATEMENTS

30th September 1998

4 Directors and employees

	1998 £	1997 £
Staff costs including directors' emoluments		
Wages and salaries	470,377	423,720
Social security costs	46,797	38,595
Pension costs	2,000	2,000
	<u>519,174</u>	<u>464,315</u>
Average monthly number employed including executive directors:	Number	Number
Production staff	27	23
Office and management	5	5
Administration staff	4	4
	<u>36</u>	<u>32</u>
Directors	£	£
Emoluments	136,000	93,660
Directors' pension contributions	2,000	2,000
	<u>138,000</u>	<u>95,660</u>

Defined contribution pension scheme

The company operates a defined contribution 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 £2,000 (1997 £2,000).

5 Interest payable

	1998 £	1997 £
Bank interest	14,954	12,931
	<u>14,954</u>	<u>12,931</u>

JOHAL DAIRIES LIMITED

NOTES ON FINANCIAL STATEMENTS

30th September 1998

6 Taxation

	1998	1997
	£	£
Corporation tax on profit on ordinary activities at 25.77% (1997 22.5%)	62,475	29,490

7 Dividends

	1998	1997
	£	£
Equity - ordinary/final	175,000	100,000

8 Intangible fixed assets

	Goodwill
	£
Cost	
1st October 1997	233,351
and	
30th September 1998	
Amortisation	
1st October 1997	111,743
Charge for the year	24,322
30th September 1998	136,065
Net book amount	
30th September 1998	97,286
1st October 1997	121,608

JOHAL DAIRIES LIMITED

NOTES ON FINANCIAL STATEMENTS

30th September 1998

9 Tangible fixed assets

Cost	Motor Vehicles £	Plant and Machinery £	Fixtures and Fittings £	Land and Buildings £	Total £
1st October 1997	359,143	22,278	62,106	-	443,527
Additions	10,400	-	12,380	33,502	56,282
Disposals	(8,895)	-	-	-	(8,895)
30th September 1998	360,648	22,278	74,486	33,502	490,914
Depreciation					
1st October 1997	266,230	3,342	34,923	-	304,495
Charge for year	25,424	2,840	5,935	-	34,199
Disposals	(7,278)	-	-	-	(7,278)
30th September 1998	284,376	6,182	40,858	-	331,416
Net book amount					
30th September 1998	76,272	16,096	33,628	33,502	159,498
1st October 1997	92,913	18,936	27,183	-	139,032

10 Land and buildings

	1998 £	1997 £
Long leasehold	33,502	-

Long leaseholds are those leaseholds with more than 50 years unexpired

11 Stocks

	1998 £	1997 £
Goods for resale	29,822	31,546
	29,822	31,546

JOHAL DAIRIES LIMITED

NOTES ON FINANCIAL STATEMENTS

30th September 1998

12 Debtors

	1998 £	1997 £
Amounts falling due within one year		
Trade debtors	657,835	519,525
Amounts owed by group undertakings	675,735	767,386
Other debtors	103,837	54,581
Prepayments and accrued income	18,175	19,245
	<hr/>	<hr/>
	1,455,582	1,360,737
Amounts falling due after more than one year	-	-
	<hr/>	<hr/>
	<u>1,455,582</u>	<u>1,360,737</u>

13 Creditors: amounts falling due within one year

	1998 £	1997 £
Bank overdrafts	276,765	176,807
Trade creditors	1,221,921	1,261,906
Corporation tax	62,475	29,490
Other taxation and social security	8,102	6,289
Directors' loan account	-	113,617
Accruals and deferred income	133,320	14,724
	<hr/>	<hr/>
	<u>1,702,583</u>	<u>1,602,833</u>

The bank overdraft is secured by a debenture over the company's assets.

JOHAL DAIRIES LIMITED

NOTES ON FINANCIAL STATEMENTS

30th September 1998

14 Deferred taxation

	1998		1997	
	Potential liability	Provision made	Potential liability	Provision made
	£	£	£	£
Corporation tax deferred by				
Capital allowances	4,575	-	3,322	-
	<u>4,575</u>	<u>-</u>	<u>3,322</u>	<u>-</u>

The potential liability and provision are based on a corporation tax rate of 25.77% (1997 22.5%).

15 Reconciliation of movements in shareholders' funds

	1998	1997
	£	£
Profit for the financial year	148,047	74,326
Dividends	<u>(175,000)</u>	<u>(100,000)</u>
Net subtraction from shareholders' funds	(26,953)	(25,674)
Opening shareholders' funds	<u>69,293</u>	<u>94,969</u>
Closing shareholders' funds	<u>42,340</u>	<u>69,295</u>

16 Called up share capital

	1998		1997	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Allotted called up and fully paid				
Ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>

JOHAL DAIRIES LIMITED

NOTES ON FINANCIAL STATEMENTS

30th September 1998

17 Profit and loss account

	1998 £
1st October 1997	49,293
Retained loss for the year	(26,953)
	<hr/>
30th September 1998	22,340
	<hr/>

18 Ultimate parent undertaking

The company's ultimate holding company at the balance sheet date was Johal Dairies Holding Co. Limited, a company incorporated in England and Wales.

19 Notes to the cash flow statement

Reconciliation of operating profit
to operating cash flows

	1998 £	1997 £
Operating profit	225,476	116,747
Depreciation charges	34,199	39,110
Amortisation	24,322	30,402
Profit on sale of fixed assets	(33)	(6,899)
Decrease/(increase) in stocks	1,724	(9,024)
(Increase)/decrease in debtors	(94,845)	9,412
(Decrease)/increase in creditors	(33,193)	49,194
	<hr/>	<hr/>
Net cash inflow from operating activities	157,650	228,942
	<hr/>	<hr/>

JOHAL DAIRIES LIMITED

NOTES ON FINANCIAL STATEMENTS

30th September 1998

20 Notes to the cash flow statement (continued)

Analysis of changes in net debt

	At start of year £	Cash flows £	At end of year £
Cash in hand, at bank	19,205	(16,470)	2,735
Overdrafts	(176,807)	(99,958)	(276,765)
		<u>(116,428)</u>	
Total	<u>(157,602)</u>	<u>(116,428)</u>	<u>(274,030)</u>

Reconciliation of net cash flow to movement in net debt

	1998 £	1997 £
(Decrease)/increase in cash in the year	<u>(116,428)</u>	<u>43,433</u>
Change in net debt resulting from cash flows	(116,428)	43,433
Net debt at 1st October 1997	<u>(157,602)</u>	<u>(201,035)</u>
Net debt at 30th September 1998	<u>(274,030)</u>	<u>(157,602)</u>