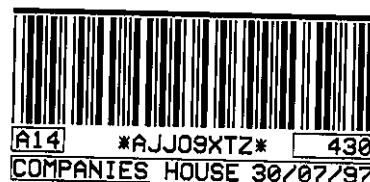


Melbourne Holdings Limited

Annual report for the year ended 31 December 1996

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**Directors' report
for the year ended 31 December 1996**

The directors present their report and the audited financial statements for the year ended 31 December 1996.

Principal activities

The consolidated profit and loss account for the year is set out on page 4.

The company acts as holding company of a group engaged in the construction industry and in the packaging and distribution of fresh and dehydrated foods.

Review of business

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Dividends

The directors have declared the following dividends in respect of the year ended 31 December 1996:

	1996 £	1995 £
Interim paid	<u>160,000</u>	<u>160,000</u>

Directors

The directors of the company at 31 December 1996, all of whom have been directors for the whole of the year ended on that date, were:

J L Priestley
Mrs E M Priestley
R J Lee

R J Lee retires from the Board by rotation and, being eligible, offers himself for re-election.

Directors' interests

The interests of the directors in the shares of the company at 31 December 1996 were:

	Ordinary shares of £1 each	
	1996 Number	1995 Number
J L Priestley	8,975	8,930
Mrs E M Priestley	46	91
R J Lee	-	-

Directors' responsibilities statement

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1996. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Taxation status

The company is a close company as defined by the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

By order of the board



R J Lee
Company secretary

Report of the auditors to the members of Melbourne Holdings Limited

We have audited the financial statements on pages 4 to 21.

Respective responsibilities of directors and auditors

As described on page 2 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 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 and the group at 31 December 1996 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Nottingham

23 July 1997

Consolidated profit and loss account for the year ended 31 December 1996

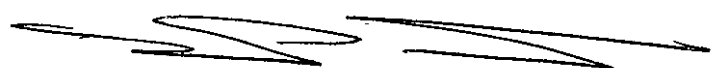
	Notes	1996 £'000	1995 £'000
Turnover - continuing operations	2	22,689	20,224
Cost of sales		(19,222)	(17,159)
Gross profit		3,467	3,065
Net operating expenses	3	(2,005)	(1,979)
Exceptional director's bonus		-	(165)
Operating profit - continuing operations		1,462	921
Interest receivable and similar income	6	2	4
Interest payable and similar charges	7	(94)	(82)
Profit on ordinary activities before taxation	8	1,370	843
Tax on profit on ordinary activities	9	(435)	(263)
Profit on ordinary activities after taxation		935	580
Minority interests		(14)	(16)
Profit for the financial year		921	564
Dividends	11	(160)	(160)
Retained profit for the year	21	761	404

The group has no material gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented. There is no material difference between the profit on activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

Balance sheets at 31 December 1996

		Group		Company	
	Notes	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Fixed assets					
Intangible assets	12	7	7	1	1
Tangible assets	13	4,592	4,449	3,526	3,432
Investments	14	-	-	5	5
		<u>4,599</u>	<u>4,456</u>	<u>3,532</u>	<u>3,438</u>
Current assets					
Stocks	15	2,568	2,981	711	1,008
Debtors	16	4,224	4,717	1,573	1,357
Cash at bank and in hand		702	61	701	60
		<u>7,494</u>	<u>7,759</u>	<u>2,985</u>	<u>2,425</u>
Creditors: amounts falling due within one year	17	5,184	5,785	727	598
Net current assets		<u>2,310</u>	<u>1,974</u>	<u>2,258</u>	<u>1,827</u>
Total assets less current liabilities		<u>6,909</u>	<u>6,430</u>	<u>5,790</u>	<u>5,265</u>
Creditors: amounts falling due after more than one year	18	261	555	188	258
Provisions for liabilities and charges					
Deferred taxation	19	190	182	63	57
		<u>451</u>	<u>737</u>	<u>251</u>	<u>315</u>
Net assets		<u>6,458</u>	<u>5,693</u>	<u>5,539</u>	<u>4,950</u>
Capital and reserves					
Called up share capital	20	9	9	9	9
Revaluation reserve	21	1,136	1,143	1,136	1,143
Profit and loss account	21	5,275	4,507	4,394	3,798
Equity shareholders' funds	22	<u>6,420</u>	<u>5,659</u>	<u>5,539</u>	<u>4,950</u>
Minority interests		38	34	-	-
		<u>6,458</u>	<u>5,693</u>	<u>5,539</u>	<u>4,950</u>

The financial statements on pages 4 to 21 were approved by the board of directors on 22 July 1997 and were signed on its behalf by:


J L Priestley
Director

Consolidated cash flow statement for the year ended 31 December 1996

	Notes	1996 £'000	1995 £'000
Net cash inflow/(outflow) from operating activities	23	2,689	(187)
Returns on investments and servicing of finance			
Interest received		2	4
Interest paid		(65)	(42)
Interest paid on finance leases and hire purchase contracts		(29)	(40)
Dividends paid		(160)	(160)
Dividends paid to minority shareholders in subsidiary undertaking		(10)	-
Net cash outflow from returns on investments and servicing of finance		(262)	(238)
Taxation			
UK corporation tax paid		(274)	(371)
Investment activities			
Purchase of intangible fixed assets		-	(1)
Purchase of tangible fixed assets		(302)	(802)
Sale of tangible fixed assets		33	95
Net cash outflow from investing activities		(269)	(708)
Net cash inflow/(outflow) before financing		1,884	(1,504)
Financing			
Loans advanced		-	566
Payment of principal under finance leases and hire purchase contracts	25	(219)	(303)
Loan repayments		(71)	(42)
Net cash (outflow)/inflow from financing		(290)	221
Increase/(decrease) in cash and cash equivalents	24	1,594	(1,283)

Notes to the financial statements for the year ended 31 December 1996

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Basis of consolidation

The consolidated financial statements include the company and its subsidiary undertakings. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the date of their acquisition or up to the date of their disposal. Intra-group sales and profit are eliminated fully on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on the acquisition of subsidiaries is written off immediately against reserves.

Tangible fixed assets and intangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Interests in land and buildings are stated at a valuation with additions since the last valuation at cost. Full valuations are initially made by independent professionally qualified valuers and are updated by directors with the assistance of independent professional advice as required. The freehold land and buildings are valued on an open market existing use basis.

Depreciation is calculated so as to write off the cost, or valuation, of tangible fixed assets, less their estimated residual values, on the reducing balance basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Plant and equipment	15-20
Equipment, fixtures and fittings	15
Motor vehicles	25

Depreciation is charged from the month of acquisition, or for plant and equipment under construction, from the month when commissioned.

Freehold land is not depreciated. Freehold buildings are depreciated on a straight-line basis at a rate of 1% per annum.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing and hire purchase agreements, which transfer to the group substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases and hire purchase contracts. The payments are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit and loss in proportion to the reducing capital element outstanding.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. In the case of processed products, costs includes all direct expenditure and production overheads based on the normal level of activity. Cost in respect of construction work in progress comprises materials, direct labour and attributable overheads. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Transactions during the year are translated at the rates ruling at the time of the transaction and all foreign exchange differences are taken to the profit and loss account in the year which they arise.

Turnover

Turnover, which excludes value added tax, sales between group companies and trade discounts, represents the invoiced value of work carried out and goods supplied.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability will crystallise.

Pension costs

The group operates a defined contribution pension scheme for certain employees. The funds are administered by Trustees and are independent of the group's finances. All contributions are charged to the profit and loss account in the year in which they are incurred.

2 Turnover

Turnover consists principally of sales made in the United Kingdom.

3 Net operating expenses

	1996 £'000	1995 £'000
Distribution costs	581	553
Administrative expenses	1,424	1,426
	<u>2,005</u>	<u>1,979</u>

4 Directors' emoluments

	1996 £'000	1995 £'000
Emoluments (including pension contributions and benefits in kind)	124	272

Emoluments (excluding pension contributions) include amounts paid to:

	1996 £'000	1995 £'000
The chairman and highest paid director	42	191

The number of directors (including the chairman and the highest-paid director) who received emoluments (excluding pension contributions) in the following ranges was:

	1996	1995
£ 0 to £ 5,000	1	1
£35,001 to £40,000	1	1
£40,001 to £45,000	1	-
£190,001 to £195,000	-	1

5 Employee information

The average weekly number of persons (including executive directors) employed by the group during the year was:

	1996	1995
Administration	43	41
Production	97	96
	<u>140</u>	<u>137</u>

	1996 £'000	1995 £'000
Staff costs		
Wages and salaries	1,732	1,543
Social security costs	144	132
Other pension costs	69	65
	<u>1,945</u>	<u>1,740</u>

6 Interest receivable and similar income

	1996 £'000	1995 £'000
Interest receivable	<u>2</u>	<u>4</u>

7 Interest payable and similar charges

	1996 £'000	1995 £'000
On bank loans and overdrafts	65	42
On finance leases and hire purchase contracts	29	40
	<u>94</u>	<u>82</u>

8 Profit on ordinary activities before taxation

	1996 £'000	1995 £'000
Profit on ordinary activities before taxation is stated after crediting:		
Rent receivable	28	33
EEC subsidy receivable	-	43
	<u> </u>	<u> </u>
And after (crediting)/charging:		
Depreciation:		
Tangible owned fixed assets	182	168
Tangible fixed assets held under finance leases and hire purchase contracts	145	106
Auditors' remuneration for audit (company £3,000)	11	10
Hire of plant and machinery	158	135
	<u> </u>	<u> </u>

Remuneration of the company's auditors for non-audit services to the group was £3,000.

9 Tax on profit on ordinary activities

	1996 £'000	1995 £'000
United Kingdom corporation tax at 33% (1995: 33%):		
Current	427	242
Deferred	8	20
(Over)/under provision in respect of prior years:		
Current	-	4
Deferred	-	(3)
	<u> </u>	<u> </u>
	435	263
	<u> </u>	<u> </u>

10 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year dealt with in the accounts of the holding company is £750,953 after including dividends and management charges to subsidiaries.

11 Dividends

	1996 £'000	1995 £'000
Ordinary:		
Interim paid of £17.74 per share (1995: £17.74p per share)	160	160

12 Intangible fixed assets

	Group Trade marks and lease £'000	Company Lease £'000
Cost		
At 1 January 1996 and 31 December 1996	7	1
Net book value		
At 31 December 1996	7	1
At 31 December 1995	7	1

13 Tangible fixed assets

Group	Freehold land and buildings £'000	Motor vehicles £'000	Plant and machinery £'000	Equipment, fixtures and fittings £'000	Total £'000
Cost or valuation					
At 1 January 1996	2,957	327	1,778	244	5,306
Additions	94	42	338	22	496
Disposals	-	(22)	(24)	(2)	(48)
At 31 December 1996	3,051	347	2,092	264	5,754
Depreciation					
At 1 January 1996	66	96	615	80	857
Charge for year	16	63	219	29	327
Disposals	-	(12)	(9)	(1)	(22)
At 31 December 1996	82	147	825	108	1,162
Net book value					
At 31 December 1996	2,969	200	1,267	156	4,592
At 31 December 1995	2,891	231	1,163	164	4,449
Cost or valuation at 31 December 1996 is represented by					
Valuation in 1990	2,348	-	-	-	2,348
Cost	703	347	2,092	264	3,406
	3,051	347	2,092	264	5,754

The net book value of tangible fixed assets includes an amount of £457,888 (1995: £530,061) in respect of assets held under finance leases and hire purchase contracts.

Company	Freehold land and buildings £'000	Motor vehicles £'000	Plant and machinery £'000	Equipment, fixtures and fittings £'000	Total £'000
Cost or valuation					
At 1 January 1996	2,941	70	571	28	3,610
Additions	94	-	124	1	219
Disposals	-	(3)	(16)	(1)	(20)
At 31 December 1996	3,035	67	679	28	3,809
Depreciation					
At 1 January 1996	60	9	96	13	178
Charge for year	15	15	81	2	113
Disposals	-	(2)	(5)	(1)	(8)
At 31 December 1996	75	22	172	14	283
Net book value					
At 31 December 1996	2,960	45	507	14	3,526
At 31 December 1995	2,881	61	475	15	3,432
Cost or valuation at 31 December 1996 is represented by					
Valuation in 1990	2,348	-	-	-	2,348
Cost	687	67	679	28	1,461
	3,035	67	679	28	3,809

The net book value of tangible fixed assets includes an amount of £64,626 (1995: £63,377) in respect of assets held under finance leases and hire purchase contracts.

Land and buildings were revalued in 1990. If they had not been revalued they would have been included at the following amounts:

	Land and buildings	
	1996	1995
	£'000	
Cost	1,877	1,783
Aggregate depreciation based on cost	(46)	(38)
Net book value based on cost	1,831	1,745

14 Investments

Company	Interests in group undertakings £'000
Cost or valuation	
At 1 January 1996 and at 31 December 1996	7
	<hr/>
Amounts written off	
At 1 January 1996 and at 31 December 1996	2
	<hr/>
Net book value	
At 31 December 1996	5
	<hr/>
At 31 December 1995	5
	<hr/>

The interests in group undertakings are stated at cost less provisions for permanent diminutions in value, except the investment in J L Priestley & Co Limited which is stated at the nominal value of shares issued in consideration of the purchase.

Interests in group undertakings

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held by company %	Activity
J L Priestley & Co Limited	England	Ordinary £1 shares	100	Food distribution
Readifoods Limited	England	Ordinary £1 shares	90	Dormant
Smith Construction (Heckington) Limited	England	Ordinary £1 shares	75	Building contractors
J L Priestley Fresh Produce Limited	England	Ordinary £1 shares	99	Dormant
Quick Dry Foods Limited	England	Ordinary £1 shares	100	Vegetable dehydrating

15 Stocks and work in progress

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Raw materials and consumables	1,411	1,101	242	156
Work in progress	484	913	462	799
Finished goods and goods for resale	673	967	7	53
	<u>2,568</u>	<u>2,981</u>	<u>711</u>	<u>1,008</u>

16 Debtors

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade debtors	4,033	4,544	358	591
Amounts owed by subsidiary undertakings	-	-	1,169	702
Other debtors	111	129	43	62
Prepayments and accrued income	55	44	3	2
Corporation tax recoverable	25	-	-	-
	<u>4,224</u>	<u>4,717</u>	<u>1,573</u>	<u>1,357</u>

17 Creditors: amounts falling due within one year

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Bank loan (see note 18)	71	71	71	71
Director's loan	431	273	221	273
Bank overdrafts	798	1,751	-	-
Obligations under finance leases and hire purchase contracts	150	162	27	25
Trade creditors	2,950	2,976	121	59
Amounts owed to subsidiary undertakings	-	-	129	25
Corporation tax payable	384	206	89	4
Other taxation and social security	143	71	6	6
Other creditors	45	56	16	16
Accruals and deferred income	172	179	7	79
Advanced corporation tax	40	40	40	40
	<u>5,184</u>	<u>5,785</u>	<u>727</u>	<u>598</u>

The bank overdrafts are secured by fixed and floating charges over the assets of the companies concerned.

The director's loan from J L Priestley is unsecured and interest free.

18 Creditors: amounts falling due after more than one year

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Obligations under finance leases and hire purchase contracts	89	102	16	15
Director's loan	-	210	-	-
Bank loan	172	243	172	243
	<u>261</u>	<u>555</u>	<u>188</u>	<u>258</u>

A loan of £243,000 is secured by a mortgage over specific fixed assets of the companies concerned.

Finance leases and hire purchase contracts

The net obligations are:

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Within one year	150	162	27	25
Between one and two years	64	86	16	9
Between two and five years	25	16	-	6
	<u>239</u>	<u>264</u>	<u>43</u>	<u>40</u>

Bank loans and overdrafts

Repayable as follows:

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Within one year	71	71	71	71
Between one and two years	71	71	71	71
Between two and five years	101	172	101	172
	<u>243</u>	<u>314</u>	<u>243</u>	<u>314</u>

19 Deferred taxation
Group

	£'000
At 1 January 1996	182
Profit and loss account	8
	<hr/>
At 31 December 1996	190
	<hr/> <hr/>

Company

	£'000
At 1 January 1996	57
Profit and loss account	6
	<hr/>
At 31 December 1996	63
	<hr/> <hr/>

Deferred taxation provided in the financial statements, and the total potential liability including the amounts for which provision has been made, are as follows:

Group

	Amount provided		Total potential liability	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Tax effect of timing differences because of excess of tax allowances over depreciation	190	182	292	278
	<hr/>	<hr/>	<hr/>	<hr/>

Company

	Amount provided		Total potential liability	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Tax effect of timing differences because of excess of tax allowances over depreciation	63	57	165	154
	<hr/>	<hr/>	<hr/>	<hr/>

20 Called up share capital

	1996 £	1995 £
Authorised 10,000 ordinary shares of £1 each	10,000	10,000
	<hr/>	<hr/>
Allotted, called up and fully paid 9,021 ordinary shares of £1 each	9,021	9,021
	<hr/> <hr/>	<hr/> <hr/>

21 Reserves

	Revaluation reserve	Profit and loss account
	£'000	£'000
Group		
At 1 January 1996	1,143	4,507
Transfer from revaluation reserve to profit and loss account	(7)	7
Retained profit for the year	-	761
	<u>1,136</u>	<u>5,275</u>
At 31 December 1996	<u>1,136</u>	<u>5,275</u>
Company		
At 1 January 1996	1,143	3,798
Transfer from revaluation reserve to profit and loss account	(7)	7
Retained profit for the year	-	589
	<u>1,136</u>	<u>4,394</u>
At 31 December 1996	<u>1,136</u>	<u>4,394</u>

22 Reconciliation of movement in shareholders' funds

	1996 £'000	1995 £'000
Profit for the financial year	921	564
Dividends	(160)	(160)
	<u>761</u>	<u>404</u>
Net addition to shareholders' funds	761	404
Opening shareholders' funds	5,659	5,255
	<u>6,420</u>	<u>5,659</u>
Closing shareholders' funds	<u>6,420</u>	<u>5,659</u>

23 Reconciliation of operating profit to net cash inflow from operating activities

	1996 £'000	1995 £'000
Continuing activities		
Operating profit	1,462	921
Depreciation on tangible fixed assets	327	274
(Gain)/loss on sale of tangible fixed assets	(7)	6
Decrease/(increase) in stocks	413	(896)
Decrease/(increase) in trade debtors	511	(1,044)
Decrease in other debtors	18	32
(Increase) in prepayments and accrued income	(11)	(12)
(Decrease)/increase in trade creditors	(26)	481
Increase in other taxation and social security	72	5
(Decrease)/increase in accruals and deferred income	(97)	134
Increase/(decrease) in other creditors	27	(88)
Net cash inflow/(outflow) from continuing operating activities	2,689	(187)

24 Cash and cash equivalents

	1996 £'000	1995 £'000
Changes during the year		
At 1 January	(1,690)	(407)
Net cash inflow/(outflow)	1,594	(1,283)
At 31 December	(96)	(1,690)

	1996 £'000	1996 Change in year £'000	1995 £'000	1995 Change in year £'000	1994 £'000
Analysis of balances					
Cash at bank and in hand	702	641	61	(1,287)	1,348
Bank overdrafts	(798)	953	(1,751)	4	(1,755)
At 31 December	(96)	1,594	(1,690)	(1,283)	(407)

25 Analysis of changes in financing during the year

	Finance lease and hire purchase obligations	
	1996	1995
	£'000	£'000
At 1 January	264	426
Inception of finance lease and hire purchase contracts	194	140
Repayments of principal on finance leases and hire purchase contracts	(219)	(303)
At 31 December	<u>239</u>	<u>263</u>

26 Contingent liabilities

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Forward purchase contracts with suppliers	606	1,667	-	-
Amount of guarantee in respect of bank overdrafts of group undertakings	-	-	798	1,751
	<u>-</u>	<u>-</u>	<u>798</u>	<u>1,751</u>