

**MELBOURNE HOLDINGS LIMITED**

**ANNUAL REPORT**

**YEAR ENDED 31 DECEMBER 2002**

PKF



# MELBOURNE HOLDINGS LIMITED

## COMPANY INFORMATION

<b>Directors</b>	J L Priestley R J Lee
<b>Secretary</b>	R J Lee
<b>Company Number</b>	1437478
<b>Registered Office</b>	Station Road Heckington Sleaford Lincolnshire NG34 9NF
<b>Auditors</b>	PKF Regent House Clinton Avenue Nottingham NG5 1AZ

# MELBOURNE HOLDINGS LIMITED

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**MELBOURNE HOLDINGS 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 group and of the profit or loss of the group 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 the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
MELBOURNE HOLDINGS LIMITED**

We have audited the financial statements of Melbourne Holdings Limited for the year ended 31 December 2002 which comprise the Profit and Loss Account, the Balance Sheets, the Cash Flow Statement and the related notes. 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 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and group'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.

## INDEPENDENT AUDITORS' REPORT (continued)

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and group's affairs as at 31 December 2002 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Nottingham, UK

**PKF**  
Registered Auditors

23 September 2003

**MELBOURNE HOLDINGS LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2002**

	Notes	2002 £000	2001 £000
<b>TURNOVER</b>	<b>2</b>	<b>29,027</b>	<b>30,475</b>
Cost of sales		(22,146)	(24,349)
<b>GROSS PROFIT</b>		<b>6,881</b>	<b>6,126</b>
Distribution costs		(895)	(880)
Administrative expenses		(3,433)	(3,373)
Other operating income		1	-
<b>OPERATING PROFIT</b>	<b>3</b>	<b>2,554</b>	<b>1,873</b>
Interest receivable and similar income	6	234	252
Interest payable and similar charges	7	(215)	(226)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>2,573</b>	<b>1,899</b>
<b>TAXATION</b>	<b>8</b>	<b>(831)</b>	<b>(633)</b>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>1,742</b>	<b>1,266</b>
<b>MINORITY INTERESTS</b>		<b>(94)</b>	<b>(241)</b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>19</b>	<b>1,648</b>	<b>1,025</b>

All amounts relate to continuing operations.

There was no material difference between the reported result and the result calculated on an unmodified historical cost basis.

**MELBOURNE HOLDINGS LIMITED**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**YEAR ENDED 31 DECEMBER 2002**

	2002 £000	2001 £000
Profit for the financial year	1,648	1,025
Unrealised surplus on revaluation of properties	906	-
<b>Total recognised gains and losses relating to the year</b>	<b>2,554</b>	<b>1,025</b>



**MELBOURNE HOLDINGS LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
**31 DECEMBER 2002**

	Notes	2002 £000	2001 £000
<b>FIXED ASSETS</b>			
Intangible	9	11	11
Tangible	10	7,803	6,045
Investments	11	20	-
		<u>7,834</u>	<u>6,056</u>
<b>CURRENT ASSETS</b>			
Stocks	12	4,745	5,363
Debtors	13	6,106	6,932
Cash at bank and in hand		5,478	3,874
		<u>16,329</u>	<u>16,169</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(9,690)</u>	<u>(10,408)</u>
<b>NET CURRENT ASSETS</b>		<u>6,639</u>	<u>5,761</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>14,473</u>	<u>11,817</u>
<b>CREDITORS: amounts falling due after more than one year</b>	15	(262)	(377)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	(312)	(259)
<b>NET ASSETS</b>		<u>13,899</u>	<u>11,181</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	9	9
Revaluation reserve	19	1,996	1,097
Profit and loss account	19	11,559	9,652
<b>SHAREHOLDERS' FUNDS</b>	20	<u>13,564</u>	<u>10,758</u>
Minority interests	21	335	423
		<u>13,899</u>	<u>11,181</u>

The financial statements were approved by the board on

*18 September 2003*

Signed on behalf of the board of directors

**J L Priestley**

Director

**R J Lee**

Director

# MELBOURNE HOLDINGS LIMITED

## BALANCE SHEET

31 DECEMBER 2002

	Notes	2002 £000	2001 £000
<b>FIXED ASSETS</b>			
Intangible	9	1	1
Tangible	10	5,616	3,712
Investments	11	4,260	4,688
		<u>9,877</u>	<u>8,401</u>
<b>CURRENT ASSETS</b>			
Stocks	12	2,009	3,162
Debtors	13	1,076	769
Cash at bank and in hand		5,138	3,873
		<u>8,223</u>	<u>7,804</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(1,805)</u>	<u>(1,501)</u>
<b>NET CURRENT ASSETS</b>		<u>6,418</u>	<u>6,303</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>16,295</u>	<u>14,704</u>
<b>CREDITORS: amounts falling due after more than one year</b>	15	(37)	(7)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	<u>(116)</u>	<u>(75)</u>
<b>NET ASSETS</b>		<u><u>16,142</u></u>	<u><u>14,622</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	9	9
Revaluation reserve	19	1,996	1,097
Other reserves	19	4,245	4,683
Profit and loss account	19	9,892	8,833
		<u>16,142</u>	<u>14,622</u>

The financial statements were approved by the board on 18 September 2003

Signed on behalf of the board of directors

J L Priestley

Director

R J Lee

Director

**MELBOURNE HOLDINGS LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**YEAR ENDED 31 DECEMBER 2002**

	2002 £000	2001 £000
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>		
Operating profit	2,554	1,873
Depreciation of tangible fixed assets	651	554
Profit on sale of fixed assets	(20)	(4)
Decrease/(increase) in debtors	826	(1,139)
Decrease/(increase) in stocks	618	(787)
(Decrease)/increase in creditors	(74)	330
<b>Net cash inflow from operating activities</b>	<u>4,555</u>	<u>827</u>
 <b>CASH FLOW STATEMENT (note 22)</b>		
Net cash inflow from operating activities	4,555	827
Returns on investments and servicing of finance	19	26
Taxation	(726)	(517)
Capital expenditure	(1,210)	(821)
	<u>2,638</u>	<u>(485)</u>
<b>Financing</b>	<u>(409)</u>	<u>(218)</u>
<b>Increase/(decrease) in cash</b>	<u>2,229</u>	<u>(703)</u>
 <b>Reconciliation of net cash flow to movement in net funds/(debt) (note 23)</b>		
Increase/(decrease) in cash in the year	2,229	(703)
Cash outflow from decreases in debt	409	218
New hire purchase contracts	(293)	(215)
<b>Change in net funds/(debt)</b>	<u>2,345</u>	<u>(700)</u>
Net debt at 1 January 2002	(1,224)	(524)
<b>Net funds at 31 December 2002</b>	<u>1,121</u>	<u>(1,224)</u>

**MELBOURNE HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2002**

**1 ACCOUNTING POLICIES**

**(a) Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain tangible fixed assets, and in accordance with applicable accounting standards.

The consolidated financial statements comprise the audited financial statements of the company and its subsidiary undertakings made up to 31 December 2002.

A separate profit and loss account for the parent company has not been prepared as permitted by Section 230(2) of the Companies Act 1985.

The profit for the financial year of the parent company was £614,000 (2001 - £1,402,000).

**(b) Turnover**

Turnover comprises the invoiced value work carried out and goods and services supplied by the company, net of value added tax and trade discounts.

**(c) Intangible fixed assets**

Intangible fixed assets are stated at cost plus any incidental costs of acquisition.

**(d) Tangible fixed assets**

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold buildings	1 % straight line
Plant, machinery, fixtures, fittings and office equipment	15-33 % reducing balance
Motor vehicles	25 % reducing balance

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.

**(e) Investments**

Fixed asset investments are stated at cost less any amounts written off.

**(f) Finance and operating leases**

Assets acquired under finance leases or hire purchase are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding.

Operating lease rentals are charged in the profit and loss account on a straight line basis over the lease term.

**MELBOURNE HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2002**

**1 ACCOUNTING POLICIES (continued)**

**(g) Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis, and includes all direct costs incurred and attributable production overheads. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal.

Cost in respect of construction work in progress comprises materials, direct labour, overheads and attributable profit when the outcome to a contract can be assessed with reasonable certainty. Where necessary, provision is made for losses expected to arise on contracts.

**(h) Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

**(i) Deferred taxation**

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future or a right to pay less taxation in the future. An asset is recognised where there is no uncertainty as to the transfer of future economic benefits. Deferred tax assets and liabilities have not been discounted.

**(j) Pensions**

The company operates a defined contribution pension scheme and the pension charge in the profit and loss account represents the amounts payable by the company to the fund in respect of the year.

**2 TURNOVER**

Turnover is attributable to one class of business.

Turnover is analysed by geographical market as follows:

	2002 £000	2001 £000
United Kingdom	27,403	29,376
Europe	390	125
USA	1,234	970
Other	-	4
Total	<u>29,027</u>	<u>30,475</u>

**MELBOURNE HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2002**

**3 OPERATING PROFIT**

The operating profit is stated after charging and crediting:

	<b>2002</b>	2001
	<b>£000</b>	£000
Depreciation of tangible fixed assets:		
- owned by the company	439	340
- held under finance lease or hire purchase contracts	212	214
Audit fees	17	15
Auditors' remuneration - non-audit services	1	5
Operating lease rentals:		
- plant & machinery	133	148
Profit on disposal of fixed assets	(20)	(4)
Rent receivable	(112)	(83)
Rental income for hire of vehicles	(1)	(30)
	<u><u>          </u></u>	<u><u>          </u></u>

**4 DIRECTORS' EMOLUMENTS AND BENEFITS**

	<b>2002</b>	2001
	<b>£000</b>	£000
Directors' emoluments	396	198
Contributions to money purchase pension schemes	13	1
	<u><u>          </u></u>	<u><u>          </u></u>

The number of directors accruing benefits under pension schemes were:

	<b>No</b>	No
Money purchase schemes	2	2
	<u><u>          </u></u>	<u><u>          </u></u>

The highest paid director received emoluments and benefits as follows:

	<b>2002</b>	2001
	<b>£000</b>	£000
Emoluments and benefits under long term incentive schemes	289	198
Contributions to money purchase pension schemes	13	1
	<u><u>          </u></u>	<u><u>          </u></u>

**MELBOURNE HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2002**

**5 STAFF COSTS**

Staff costs, including directors' emoluments, were as follows:

	<b>2002</b>	2001
	<b>£000</b>	£000
Wages and salaries	3,753	3,134
Social security costs	262	277
Other pension costs	26	37
	<u>4,041</u>	<u>3,448</u>

The average monthly number of employees, including executive directors, during the year was:

	<b>No</b>	No
Administration	58	43
Production	101	108
Construction	33	35
	<u>192</u>	<u>186</u>

**6 INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2002</b>	2001
	<b>£000</b>	£000
Bank interest receivable	234	252
	<u>234</u>	<u>252</u>

**7 INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2002</b>	2001
	<b>£000</b>	£000
Bank loans and overdrafts	165	180
Finance charges under finance lease and hire purchase contracts	50	46
	<u>215</u>	<u>226</u>

**MELBOURNE HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2002**

**8 TAXATION**

<b>(a) Analysis of charge in year</b>	<b>2002 £000</b>	<b>2001 £000</b>
<b>UK corporation tax</b>		
Current tax on income for the year	801	590
Adjustments in respect of prior periods	(23)	(6)
Total UK taxation	<u>778</u>	<u>584</u>
<b>Deferred tax</b>		
Changes in deferred tax balances arising from:		
Origination or reversal of timing differences	53	49
<b>Tax on profit on ordinary activities</b>	<u>831</u>	<u>633</u>

**(b) Factors affecting the tax charge for the year**

The tax assessed for the year is greater than would be expected by multiplying profit on ordinary activities by the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	<b>2002 £000</b>	<b>2001 £000</b>
Profit on ordinary activities before tax	<u>2,573</u>	<u>1,899</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2001: 30%)	772	570
Effects of:		
Depreciation in excess of capital allowances	14	(13)
Expenses not allowable for tax purposes	3	5
Profit on disposal of fixed assets	(2)	-
Other timing differences	14	33
Marginal relief	-	(5)
Adjustments in respect of prior periods	(23)	(6)
Current tax charge for the year	<u>778</u>	<u>584</u>



**MELBOURNE HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2002**

**9 INTANGIBLE FIXED ASSETS**

**Group**

**Group  
trade marks  
and lease  
£000**

**Cost**

At 1 January 2002 and  
31 December 2002

11

**Net book amount**

At 31 December 2002

11

At 31 December 2001

11

**Company**

**Company  
lease  
£000**

**Cost**

At 1 January 2002 and  
31 December 2002

1

**Amortisation**

At 1 January 2002 and  
31 December 2002

-

**Net book amount**

At 31 December 2002

1

At 31 December 2001

1

**MELBOURNE HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2002**

**10 TANGIBLE FIXED ASSETS**

**Group**

	Land & buildings £000	Plant & machinery £000	Fixtures, fittings, tools & equipment £000	Assets in course of construction £000	Total £000
<b>Cost or valuation</b>					
At 1 January 2002	3,559	4,272	551	-	8,382
Additions	951	590	57	20	1,618
Disposals	-	(332)	(7)	-	(339)
Revaluations	752	-	-	-	752
At 31 December 2002	<u>5,262</u>	<u>4,530</u>	<u>601</u>	<u>20</u>	<u>10,413</u>
<b>Depreciation</b>					
At 1 January 2002	154	1,935	248	-	2,337
Charge for year	34	565	52	-	651
On disposals	-	(218)	(6)	-	(224)
Revaluations	(154)	-	-	-	(154)
At 31 December 2002	<u>34</u>	<u>2,282</u>	<u>294</u>	<u>-</u>	<u>2,610</u>
<b>Net book amount</b>					
At 31 December 2002	<u>5,228</u>	<u>2,248</u>	<u>307</u>	<u>20</u>	<u>7,803</u>
At 31 December 2001	<u>3,405</u>	<u>2,337</u>	<u>303</u>	<u>-</u>	<u>6,045</u>

The net book amounts of tangible fixed assets above include **£880,000** (2001 - £847,000) in respect of assets held under finance leases or hire purchase contracts.

**MELBOURNE HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2002**

**10 TANGIBLE FIXED ASSETS (continued)**

**Company**

	Land & buildings £000	Plant & machinery £000	Fixtures, fittings, tools & equipment £000	Assets in course of construction £000	Total £000
<b>Cost or valuation</b>					
At 1 January 2002	3,559	403	60	-	4,022
Additions	951	85	61	20	1,117
Disposals	-	(36)	(6)	-	(42)
Revaluations	752	-	-	-	752
At 31 December 2002	<u>5,262</u>	<u>452</u>	<u>115</u>	<u>20</u>	<u>5,849</u>
<b>Depreciation</b>					
At 1 January 2002	154	122	34	-	310
Charge for year	34	58	8	-	100
On disposals	-	(18)	(5)	-	(23)
Revaluations	(154)	-	-	-	(154)
At 31 December 2002	<u>34</u>	<u>162</u>	<u>37</u>	<u>-</u>	<u>233</u>
<b>Net book amount</b>					
At 31 December 2002	<u>5,228</u>	<u>290</u>	<u>78</u>	<u>20</u>	<u>5,616</u>
At 31 December 2001	<u>3,405</u>	<u>281</u>	<u>26</u>	<u>-</u>	<u>3,712</u>

The net book amounts of tangible fixed assets above include **£96,000** (2001 - £37,000) in respect of assets held under finance leases or hire purchase contracts.

During the year land and buildings were revalued by Pygott & Crone Surveyors and Valuers in accordance with the RICS Appraisal and Valuation Manual requirements for the Valuation of Commercial Land and Buildings on an open market value basis.

Land and buildings were previously revalued in 1990.

On the historical cost basis, land and buildings would have been included as follows:

	2002 £000	2001 £000
Cost	3,352	2,401
Cumulative depreciation	(120)	(93)
Net book amount	<u>3,232</u>	<u>2,308</u>

**MELBOURNE HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2002**

**11 FIXED ASSET INVESTMENTS**

**Group**

	Other investments £000
<b>Cost</b>	
At 1 January 2002	-
Additions	20
At 31 December 2002	<u>20</u>

During the year the group acquired a 24.8% holding in Core Culture Limited.

**Company**

	Shares in subsidiary undertakings £000	Other investments £000	Total £000
<b>Cost</b>			
At 1 January 2002	4,688	-	4,688
Additions	-	10	10
Amounts written off	(438)	-	(438)
At 31 December 2002	<u>4,250</u>	<u>10</u>	<u>4,260</u>

At 31 December 2002, the company has reviewed its investment in JLP Food Group Holdings Limited for impairment. After undertaking this review, the directors have considered it necessary to make an impairment adjustment of £437,500.

**MELBOURNE HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2002**

**11 FIXED ASSET INVESTMENTS (continued)**

The company holds the following investments in subsidiary undertakings:

Name	Country of incorporation/ registration and operation	Type of share	% of nominal value of shares
Smith Construction (Heckington) Limited (Building contractors)	England / Wales	£1 ordinary	75
JLP Food Group Holdings Limited (Managing and holding investments)	England / Wales	£1 ordinary	100

The following companies are subsidiaries of JLP Food Group Holdings Limited:-

Quick Dry Foods Limited (Dormant)	England / Wales	£1 ordinary	100
J L Priestley & Co Limited (Packing and distribution of dehydrated and fresh food)	England / Wales	£1 ordinary	100
Readifoods Limited (Packing and distribution of dried fruits and nuts)	England / Wales	£1 ordinary	90
J L Priestley Fresh Produce Limited (Packing and distribution of potatoes)	England / Wales	£1 ordinary	75
Melbourne Construction Limited (Dormant)	England / Wales	£1 ordinary	100

During the year the company acquired a 12.4% holding in Core Culture Limited.

**12 STOCKS**

	Group		Company	
	2002	2001	2002	2001
	£000	£000	£000	£000
Raw materials	1,405	1,634	408	844
Work in progress	2,121	2,495	1,601	2,318
Finished goods	1,219	1,234	-	-
	<u>4,745</u>	<u>5,363</u>	<u>2,009</u>	<u>3,162</u>

**MELBOURNE HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2002**

**13 DEBTORS**

	<b>Group</b>		<b>Company</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Due within one year</b>				
Trade debtors	5,191	6,367	80	42
Amounts due from group undertakings	-	-	336	438
Amounts due from company under common management control	550	-	550	-
Other debtors	215	449	99	274
Prepayments and accrued income	150	116	11	15
	<u>6,106</u>	<u>6,932</u>	<u>1,076</u>	<u>769</u>

**14 CREDITORS**

	<b>Group</b>		<b>Company</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year</b>				
Bank loans and overdrafts	3,765	4,390	3	-
Director's loan	3	11	1	-
Trade creditors	3,165	3,945	181	161
Amounts owed to group undertakings	-	-	564	839
Corporation tax	642	590	454	260
Other tax and social security	497	206	55	12
Net obligations under finance lease and hire purchase contracts(note 16)	330	331	28	9
Other creditors	156	170	65	131
Accruals and deferred income	1,132	765	454	89
	<u>9,690</u>	<u>10,408</u>	<u>1,805</u>	<u>1,501</u>

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**15 CREDITORS**

	<b>Group</b>		<b>Company</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Amounts falling due after more than one year</b>				
Net obligations under finance lease and hire purchase contracts(note 16)	<u>262</u>	<u>377</u>	<u>37</u>	<u>7</u>

**16 FINANCE LEASES**

Net obligations under finance lease and hire purchase agreements fall due as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within one year	330	331	28	9
Between one and five years	<u>262</u>	<u>377</u>	<u>37</u>	<u>7</u>
	<u>592</u>	<u>708</u>	<u>65</u>	<u>16</u>

Finance lease and hire purchase creditors are secured on the assets concerned.

**17 PROVISIONS FOR LIABILITIES AND CHARGES**

**Group**

	<b>Deferred Taxation £000</b>
At 1 January 2002	259
Charged to profit and loss	<u>53</u>
At 31 December 2002	<u>312</u>

Deferred tax is analysed as follows:

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Capital allowances in excess of depreciation	<u>312</u>	<u>259</u>

**Company**

	<b>Deferred taxation £000</b>
At 1 January 2002	75
Charged to profit and loss	<u>41</u>
At 31 December 2002	<u>116</u>

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**17 PROVISIONS FOR LIABILITIES AND CHARGES (continued)**

Deferred tax is analysed as follows:

	2002	2001
	£000	£000
Capital allowances in excess of depreciation	116	75
	<u>116</u>	<u>75</u>

**18 SHARE CAPITAL**

	Authorised	Allotted, called up and fully paid	
	£	No	£
At 1 January 2002 and 31 December 2002 Ordinary shares of £1 each	10,000	9,021	9,021
	<u>10,000</u>	<u>9,021</u>	<u>9,021</u>

**19 RESERVES**

	Group	Company
	£000	£000
<b>Revaluation reserve</b>		
At 1 January 2002	1,097	1,097
Revaluation during the year	906	906
Depreciation transferred to profit and loss account	(7)	(7)
At 31 December 2002	<u>1,996</u>	<u>1,996</u>
<b>Other reserves</b>	£000	£000
At 1 January 2002	-	4,683
Transfer to profit and loss account	-	(438)
At 31 December 2002	<u>-</u>	<u>4,245</u>
<b>Profit and loss account</b>	£000	£000
At 1 January 2002	9,652	8,833
Profit for the year	1,648	614
Depreciation transferred from revaluation reserve	7	7
Transfer from other reserve	-	438
Transfer from minority interests	252	-
At 31 December 2002	<u>11,559</u>	<u>9,892</u>



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**20 SHAREHOLDERS' FUNDS**

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Shareholders' funds at 1 January 2002	10,758	9,733
Profit for the year	1,648	1,025
Revaluation during the year	906	-
Other movements:		
Transfer from minority interests	252	-
Shareholders' funds at 31 December 2002	<u>13,564</u>	<u>10,758</u>

**21 MINORITY INTERESTS**

	<b>Group</b>	<b>Company</b>
	<b>£000</b>	<b>£000</b>
At 1 January 2002	423	-
Transfer to profit and loss account	(252)	-
Minority interests allocation	164	-
At 31 December 2002	<u>335</u>	<u>-</u>

**22 GROSS CASH FLOWS**

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	234	252
Interest paid	(165)	(180)
Interest element of finance lease rentals	(50)	(46)
	<u>19</u>	<u>26</u>
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(1,325)	(995)
Payments to acquire fixed asset investments	(20)	-
Receipts from sales of tangible fixed assets	135	174
	<u>(1,210)</u>	<u>(821)</u>
<b>Financing</b>		
Capital element of finance lease rentals	(409)	(218)

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**23 ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)**

	At 1 January 2002 £000	Cash flows £000	Other changes £000	At 31 December 2002 £000
Cash at bank and in hand	3,874	1,604	-	5,478
Overdrafts	(4,390)	625	-	(3,765)
		<u>2,229</u>		
Finance leases	(708)	409	(293)	(592)
Total	<u>(1,224)</u>	<u>2,638</u>	<u>(293)</u>	<u>1,121</u>

During the year the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of £293,000 (2001 - £215,000).

**24 OTHER COMMITMENTS**

**Group**

At 31 December 2002 the group had annual commitments under operating leases as follows:

	2002 £000	Other 2001 £000
<b>Expiry date:</b>		
Within one year	30	17
Between one and five years	100	126
	<u>130</u>	<u>143</u>

**Company**

At 31 December 2002 the company had annual commitments under operating leases as follows:

	2002 £000	Other 2001 £000
<b>Expiry date:</b>		
Between one and five years	65	60
	<u>65</u>	<u>60</u>

**25 CONTINGENT LIABILITIES**

At 31 December 2002 the group had forward purchase contracts with suppliers amounting to £1,699,187 (2001 - £1,326,453).

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**26 TRANSACTIONS WITH RELATED PARTIES**

Sales of £1,234,065 (2001 - £970,438) were made, in the ordinary course of business, to Quick Dry USA Inc during the year. J L Priestley, the ultimate controlling party, has a significant shareholding in Quick Dry USA Inc.

Debtors include £231,007 (2001 - £333,898) due from Quick Dry USA Inc.

Debtors include £550,000 (2001 - £Nil) due from Station Leisure Limited. J L Priestley, a director and the ultimate controlling party, has a significant shareholding in Station Leisure Limited.

During the year James Priestley, the son of J L Priestley, purchased a property from the company for £87,000. This transaction was carried out at market value and on an arm's length basis.

**27 CONTROLLING PARTIES**

The company is controlled by J L Priestley.