

FOOD FOR THOUGHT (UK) LIMITED
ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 1996

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FOOD FOR THOUGHT (UK) LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 30 September 1996.

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 then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- 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.

Review of the business and future developments

The principal activity of the company is the production of frozen and chilled food products for the catering and manufacturing industries.

As explained in note 3 to the financial statements, on 1 October 1995 the company sold its 50% shareholding in the omelette manufacturing business known as Food For Thought Limited for £537,099 to Stonegate Farmers Limited. On the same date the company purchased the trade and certain fixed assets of a sauce and butter manufacturing business from Stonegate Farmers Limited for £52,098.

On 30 May 1996 the company was the subject of a Management Buy In led by Mr A Hawley. Subsequent to that date a new management team has been put together by Mr Hawley. The directors are confident that the performance of the business will steadily improve over the course of the present financial year as the results of the new team's efforts become evident.

Results and dividends

The profit for the year after taxation was £168,028. The directors have proposed a final dividend of £57,244.

FOOD FOR THOUGHT (UK) LIMITED

REPORT OF THE DIRECTORS

Directors and their interests

The directors of the company during the year were:

A Hawley (appointed 30 May 1996)
S N Simpson (appointed 29 July 1996)
B J Parsons (resigned 30 May 1996)
Mrs M M Parsons (resigned 30 May 1996)
G H Matthews (resigned 30 May 1996)
R V Dryburgh (resigned 29 May 1996 and
re-appointed 30 May 1996)
A H McChesney (resigned 29 May 1996 and
re-appointed 30 May 1996)

The company is a wholly-owned subsidiary of Food For Thought (Holdings) Limited. The ultimate parent company is Inhoco 501 Limited a company registered in England. The interests in the shares of that company of A Hawley are disclosed in its directors' report.

Auditors

Latham Crossley & Davis, who were appointed during the year, offer themselves, and are recommended, for re-appointment under the provisions of Section 385 of the Companies Act 1985.

By order of the Board,



Secretary

Date: 27 February 1997

REPORT OF THE AUDITORS
TO FOOD FOR THOUGHT (UK) LIMITED
PURSUANT TO PARAGRAPH 24 OF SCHEDULE 8
TO THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 5 to 18 together with the financial statements of Food For Thought (UK) Limited prepared under Section 226 of the Companies Act 1985 for the year ended 30 September 1996.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with Schedule 8 to the Companies Act 1985. It is our responsibility to form an independent opinion as to the company's entitlement to the exemptions claimed in the directors' statement on page 8 and whether the abbreviated accounts have been properly prepared in accordance with that Schedule.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the audited financial statements, that the company is entitled to the exemptions and that the abbreviated accounts have been properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled under sections 246 and 247 of the Companies Act 1985 to the exemptions conferred by Section B of Part III of Schedule 8 to that Act, in respect of the year ended 30 September 1996 and the abbreviated accounts on pages 5 to 18 have been properly prepared in accordance with that Schedule.

Other information

On 27 February 1997 we reported, as auditors of Food For Thought (UK) Limited, to the shareholders on the financial statements prepared under Section 226 of the Companies Act 1985 for the year ended 30 September 1996, and our audit report was as follows:

"We have audited the financial statements on pages 4 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 4 and 5.

Respective responsibilities of directors and auditors

As described on page 1 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.

REPORT OF THE AUDITORS

TO FOOD FOR THOUGHT (UK) LIMITED

PURSUANT TO PARAGRAPH 24 OF SCHEDULE 8
TO THE COMPANIES ACT 1985 (continued)

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 the company's affairs as at 30 September 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985."

Latham

Crossley & Davis

Latham Crossley & Davis,
Registered Auditors,
Chartered Accountants,
Chorley.

Date: 27 February 1997

FOOD FOR THOUGHT (UK) LIMITED
STATEMENT OF ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Turnover

Turnover represents the invoiced amount of goods sold less returns and allowances, exclusive of value added tax.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided so as to write off the cost of the assets over their expected useful economic lives. The principal annual rates used, under the following methods, are:

Freehold buildings	2%	straight line
Plant and equipment	15%	reducing balance
Motor vehicles	25%	reducing balance
Fixtures and fittings	15%	reducing balance
Computer equipment	33%	reducing balance
Assets under course of construction	-	

Leasing and hire purchase

Certain tangible fixed assets are held under financing arrangements. These assets are included in the balance sheet and are depreciated accordingly. The capital element of the corresponding financing commitments is included in the balance sheet. The finance element of instalments is charged to the profit and loss account in proportion to the reducing capital element outstanding.

All other leases held are operating leases and the rentals are charged to the profit and loss account as incurred.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost includes an appropriate proportion of production overheads, where applicable.

FOOD FOR THOUGHT (UK) LIMITED
STATEMENT OF ACCOUNTING POLICIES

Deferred taxation

Deferred taxation is calculated under the liability method at the appropriate rate of tax in respect of timing differences between profits as computed for tax purposes and profits as stated in the financial statements to the extent that, in the opinion of the directors, those differences will give rise to tax liabilities in the foreseeable future.

Pension costs

Pension costs are recognised on a systematic basis over the period that the company benefits from the services of the employees who are members of the pension scheme.

Government grants

Government grants are recognised in the profit and loss account so as to match them with the related expenditure towards which they contribute. Grants received in respect of future accounting periods are included in the balance sheet as deferred income.

FOOD FOR THOUGHT (UK) LIMITED
ABBREVIATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 1996

	Note	1996	1995
		£	£
Gross profit		3,654,809	2,122,010
Distribution costs		(250,601)	(100,382)
Administrative expenses		(3,022,701)	(1,818,149)
Other operating income		<u> -</u>	<u> 92,430</u>
Operating profit	1		
Continuing operation		(61,109)	295,909
Acquisition		<u> 442,616</u>	<u> -</u>
		381,507	295,909
Profit on sale of investment	2	265,230	-
Fundamental restructuring provision	3	(245,000)	-
Interest receivable		-	95
Interest payable	4	(77,067)	(79,191)
Profit on ordinary activities before taxation		324,670	216,813
Taxation	5	(156,642)	(59,289)
Profit on ordinary activities after taxation		168,028	157,524
Dividends on equity shares	6	(57,244)	(4,975)
Retained profit for the financial year		<u> 110,784</u>	<u> 152,549</u>

All operations are continuing and all gains and losses for the year are dealt with in the profit and loss account.

FOOD FOR THOUGHT (UK) LIMITED

ABBREVIATED BALANCE SHEET

AS AT 30 SEPTEMBER 1996

	Note	1996		1995	
		£	£	£	£
Fixed assets					
Tangible assets	7		1,875,900		1,151,811
Current assets					
Stocks	8	871,358		505,611	
Debtors	9	1,177,515		697,509	
Investments	10	-		266,136	
Cash at bank and in hand		<u>658,428</u>		<u>767</u>	
			2,707,301		1,470,023
Creditors: Amounts falling due within one year	11	<u>(2,678,472)</u>		<u>(1,314,780)</u>	
Net current assets			<u>28,829</u>		<u>155,243</u>
Total assets less current liabilities			1,904,729		1,307,054
Creditors: Amounts falling due after more than one year	11		(801,448)		(361,658)
Provisions for liabilities and charges					
Deferred taxation	12		<u>(107,413)</u>		<u>(60,312)</u>
			<u>995,868</u>		<u>885,084</u>
Capital and reserves					
Called up share capital	13		30,600		30,600
Share premium	14		1,050		1,050
Capital redemption reserve	14		35,500		35,500
Profit and loss account	14		<u>928,718</u>		<u>817,934</u>
Equity shareholders' funds	15		<u>995,868</u>		<u>885,084</u>

We have taken advantage of the exemptions conferred by Section B of Part III of Schedule 8 to the Companies Act 1985 and have done so on the grounds that Food For Thought (UK) Limited is entitled to those exemptions as a medium-sized company.

Approved by the Board on

27 February 1997

AA H L L
Stewart

Directors

FOOD FOR THOUGHT (UK) LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 1996

1. OPERATING PROFIT

1996
£

1995
£

This is stated after charging/(crediting):

a. Directors' emoluments

Management remuneration (including pension contributions)

170,348

155,236

Emoluments (excluding pension contributions) of the chairman who was also the highest paid director in 1995

25,965

48,653

Emoluments (excluding pension contributions) of the highest paid director

45,201

48,653

The directors' emoluments (excluding pension contributions) fell within the following ranges:-

1996
Number

1995
Number

£0 - £5,000
£5,001 - £10,000
£20,001 - £25,000
£25,001 - £30,000
£30,001 - £35,000
£35,001 - £40,000
£45,001 - £50,000

1
1
1
1
2
-
1

1
-
-
-
2
1
1

b. Staff costs

The average monthly number of employees during the year was:

Office and management
Factory and production

39
136

23
119

175

142

FOOD FOR THOUGHT (UK) LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 1996

1. OPERATING PROFIT (continued)

b. Staff costs (continued)

Staff costs during the year (including directors) amounted to:	1996 £	1995 £
Wages and salaries	1,736,566	1,033,800
Social security costs	77,572	71,199
Other pension costs	<u>5,690</u>	<u>4,260</u>
	<u>1,819,828</u>	<u>1,109,259</u>

The company has made payments totalling £5,690 (1995 : £4,260) to a defined contribution pension scheme, the assets of which are held in an independently administered fund. The pension cost charge represents the total contributions payable to the fund.

c. Other items	1996 £	1995 £
Depreciation and amortisation		
- of owned tangible fixed assets	90,412	73,609
- of tangible fixed assets held under financing arrangements	67,487	41,101
Operating lease rentals		
- plant and machinery	44,454	22,918
Auditors' remuneration		
- audit services	11,000	3,600
Management charges	69,218	-
(Profit)/loss on sale of tangible fixed assets	(27,509)	997
Government grants	(64,390)	(92,430)

2. PROFIT ON SALE OF INVESTMENT

Profit on sale of investment	265,230	-
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On 1 October 1995 the company sold its 50% shareholding in Food For Thought Limited to Stonegate Farmers Limited for £537,099.

This shareholding was held as a fixed asset investment until 30 September 1995 when it was transferred to current assets pending its sale.

The sale of this investment resulted in a capital gain of £252,130 which has increased the annual tax charge by approximately £79,000.

FOOD FOR THOUGHT (UK) LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 1996

3. FUNDAMENTAL RESTRUCTURING PROVISION	1996	1995
	£	£
Fundamental restructuring provision	245,000	-

This provision is in respect of the restructuring of the butters and sauces manufacturing operation which will be ongoing throughout the financial year ending 30 September 1997.

The corporation tax charge has been reduced by approximately £74,000 in respect of this provision.

4. INTEREST PAYABLE	1996	1995
	£	£
On bank overdraft	24,060	56,747
On other loans	31,252	9,083
Hire purchase interest	<u>21,755</u>	<u>13,361</u>
	77,067	79,191

5. TAXATION	1996	1995
	£	£
On the profit on ordinary activities for the year:		
- corporation tax at 33% (1995 : 25 %)	109,541	35,522
- deferred taxation charge	<u>13,159</u>	<u>26,264</u>
	122,700	61,786
Adjustments in respect of previous years:		
- corporation tax	-	(2,497)
- deferred taxation	<u>33,942</u>	<u>-</u>
	156,642	59,289

The tax charge for the year has been increased by approximately £27,446 in respect of permanent timing differences and reduced by £11,888 in respect of marginal relief.

As explained in note 3, the profit on sale of the investment in Food For Thought Limited resulted in a capital gain of £252,130 which has increased the annual tax charge by approximately £79,000.

6. DIVIDENDS ON EQUITY SHARES	1996	1995
	£	£
Final - 187.07 pence (1995 - 16.26 pence) per ordinary share on 30,600 shares, proposed	<u>57,244</u>	<u>4,975</u>

FOOD FOR THOUGHT (UK) LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 1996

7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and equipment £	Motor vehicles £	Fixtures and Fittings £	Assets under course of construction £	Total £
Cost						
At 1 October 1995	592,906	646,598	101,002	234,825	-	1,575,331
Additions	266,992	515,230	90,008	45,594	51,882	969,706
Disposals	-	(69,075)	(38,985)	-	-	(108,060)
At 30 September 1996	859,898	1,092,753	152,025	280,419	51,882	2,436,977
Depreciation						
At 1 October 1995	48,408	252,467	34,208	88,437	-	423,520
Charge for the year	16,091	92,758	21,602	27,448	-	157,899
Disposals	-	(6,169)	(14,173)	-	-	(20,342)
At 30 September 1996	64,499	339,056	41,637	115,885	-	561,077
Net book value						
At 30 September 1996	795,399	753,697	110,388	164,534	51,882	1,875,900
At 30 September 1995	544,498	394,131	66,794	146,388	-	1,151,811

The net book value of tangible fixed assets includes an amount of £473,715 (1995 : £248,628) in respect of assets held under financing arrangements.

FOOD FOR THOUGHT (UK) LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 1996

8. STOCKS	1996	1995
	£	£
Raw materials and consumables	348,664	109,447
Work in progress	8,894	16,782
Finished goods and goods for resale	<u>513,800</u>	<u>379,382</u>
	871,358	505,611
9. DEBTORS		
Trade debtors	999,372	572,291
Amounts owed by group undertakings	100,698	-
Other debtors	45,552	118,127
Prepayments	<u>31,893</u>	<u>7,091</u>
	1,177,515	697,509
10. CURRENT ASSET INVESTMENT		
Investment in participating interest at cost	-	266,136

On 30 September 1995 the 50% shareholding in Food For Thought Limited was transferred from Fixed Asset Investments to Current Asset Investments.

As explained in note 3 to the financial statements, on 1 October 1995 the company sold the shareholding to Stonegate Farmers Limited.

FOOD FOR THOUGHT (UK) LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 1996

11. CREDITORS	1996	1995
	£	£
a. Amounts falling due within one year		
Bank overdraft	-	349,684
Other loans	93,793	100,260
Trade creditors	1,297,591	441,678
Corporation tax	109,541	33,390
Other taxation and social security	42,267	27,292
Obligations under financing arrangements	143,173	81,487
Other creditors	5,511	-
Accruals and deferred income	929,352	276,014
Proposed dividends	<u>57,244</u>	<u>4,975</u>
	2,678,472	1,314,780
b. Amounts falling due after more than one year		
Other loans	128,462	232,446
Amounts owed to group undertakings	504,085	-
Obligations under financing arrangements	168,901	75,813
Accruals and deferred income	<u>-</u>	<u>53,399</u>
	801,448	361,658
<p>Accruals and deferred income include £53,399 (1995 : £117,789) in respect of government grants which will be recognised in the profit and loss account in the year ending 30 September 1997.</p>		
c. Analysis of borrowings by year of repayment	1996	1995
	£	£
Obligations under financing arrangements fall due for repayment as follows :		
Within one year	143,173	81,487
Between one and two	111,643	75,813
Between two and five years	<u>57,258</u>	<u>-</u>
	312,074	157,300

FOOD FOR THOUGHT (UK) LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 1996

11. CREDITORS (continued)

	1996	1995
c. Analysis of borrowings by year of repayment (continued)		
	£	£
Other loans fall due for repayment :		
Within one year	93,793	100,260
Between one and two years	97,990	100,250
Between two and five years	<u>30,472</u>	<u>132,196</u>
	<u>222,255</u>	<u>332,706</u>

The bank overdraft is secured by a charge over the stock and trade debtors of the company and a second charge over the freehold property at Sunderland.

Other loans consist of:

3i ECSC Loan

The ECSC loan from 3i is repayable by three instalments of £75,000 each, to be paid annually on the 28 February in each year commencing on 28 February 1996. As at 30 September 1996 2 instalments are outstanding. The interest rate per annum is 10.25%. The loan is secured by a charge over the freehold property at Sunderland.

Sunderland City Council Loans

£45,000 loan

This loan is repayable by 20 quarterly instalments expiring in July 1999. The interest rate is 8.25% per annum and this loan is secured on the company's freehold land.

£50,000 loan

This loan is repayable by 20 quarterly instalments expiring in July 1999. The interest rate is 7.25% per annum and this loan is secured on the company's freehold land.

The total value of the secured loans at 30 September 1996 stood at £222,255 (1995 : £332,706).

FOOD FOR THOUGHT (UK) LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 1996

12. DEFERRED TAXATION

Full provision (1995: *partial provision*) for deferred taxation has been made in respect of:

	1996	1995
	£	£
Accelerated capital allowances	107,413	60,312
	<u> </u>	<u> </u>
Potential provision for deferred taxation:		
Accelerated capital allowances	107,413	260,508
	<u> </u>	<u> </u>
The movement on the provision for deferred taxation was as follows:		£
At 1 October 1995		60,312
Transfer from profit and loss account		<u>47,101</u>
At 30 September 1996		107,413
		<u> </u>

FOOD FOR THOUGHT (UK) LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 1996

13. SHARE CAPITAL

	1996	1995
	£	£
Authorised		
250,000 ordinary shares of £1 each	250,000	250,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
30,600 ordinary shares of £1 each	30,600	30,600
	<u> </u>	<u> </u>

14. RESERVES

	Share premium £	Capital redemption £	Profit and loss account £
At 1 October 1995	1,050	35,500	817,934
Retained profit for the year	<u>-</u>	<u>-</u>	<u>110,784</u>
At 30 September 1996	<u>1,050</u>	<u>35,500</u>	<u>928,718</u>

**15. RECONCILIATION OF MOVEMENTS
IN SHAREHOLDERS' FUNDS**

	1996	1995
	£	£
Profit on ordinary activities after taxation	168,028	157,524
Dividends	(57,244)	(4,975)
Net increase in shareholders' funds	110,784	152,549
Shareholders' funds at 1 October 1995	<u>885,084</u>	<u>732,535</u>
Shareholders' funds at 30 September 1996	<u>995,868</u>	<u>885,084</u>

16. PARENT UNDERTAKING

The directors consider the ultimate parent undertaking to be Inhoco 501 Limited a company registered in England and Wales.

FOOD FOR THOUGHT (UK) LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 1996

17. FINANCIAL COMMITMENTS

a. Commitments under operating leases

At 30 September 1996, the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other assets	
	1996	1995	1996	1995
	£	£	£	£
Leases which expire:				
- within one year	54,000	-	-	-
- between one and five years	-	-	-	2,372
- after five years	-	-	-	-
	<u>54,000</u>	<u>-</u>	<u>-</u>	<u>2,372</u>

b. Capital commitments

	1996	1995
	£	£
Capital expenditure contracted for but not provided in these financial statements	-	261,000

18. ACQUIRED OPERATION

On 1 October 1995 the trade and certain tangible fixed assets of the sauces and butters business of Food For Thought Limited were purchased by Food For Thought (UK) Limited for a cash consideration of £52,098. All other assets and liabilities of that business were retained by Food For Thought Limited.