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MARFLEET REFINING COMPANY LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 OCTOBER 1985



MARFLEET REFINING COMPANY LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 OCTOBER 1985

The Directors present their report and accounts for the year ended 31 October 1985.

1 REORGANISATION

The principal activities of the Company until 29 July 1985 were the processing and marketing of edible oils and fats and manufacture of vitamin supplements.

On that date the Company's trade, assets and liabilities were sold to Imperial Foods (General Products) Ltd, a fellow subsidiary of Imperial Group plc. The Company's principal activities since that date have been the provision of agency and management services to Imperial Foods (General Products) Ltd.

On 31 October 1985 the Company acquired from a fellow subsidiary the whole of the share capital of New Era (Holdings) Limited. Neither this company nor its subsidiaries are currently trading.

2 RESULTS AND DIVIDEND

The turnover and profits of the Company are set out on page 6. The Directors propose that a dividend of £1,761,000 be paid to the holding company. The retained profit of £36,691,000 has been added to reserves (1984: £469,000).

3 DIRECTORS

The Directors of the Company as at the date of this report are as follows:

G Powell
S A Reed
C O Dixon
A G Clements
R Grant
D S Lindsay
D S Sutton
K T Winkle

They all served as directors throughout the year except A G Clements and R Grant who were appointed on 1 March 1985 and 1 November 1985 respectively.

No director had any interests in the shares or debentures of the Company or any other subsidiaries of Imperial Group plc as at 1 November 1984 and 31 October 1985.

The interests of the directors of the Company in the share capital of the ultimate holding company, Imperial Group plc, according to the register kept by the company for the purposes of the Companies Act 1985 are shown overleaf.

3 DIRECTORS (continued)

Interests in shares of Imperial Group plc
Ordinary Shares of 25p each

	<u>Shares Issued</u>		<u>Share Options</u> <u>(See note below)</u>	
	<u>31 Oct</u> <u>1985</u>	<u>1 Nov</u> <u>1984</u>	<u>31 Oct</u> <u>1985</u>	<u>1 Nov</u> <u>1984</u>
S A Reed	-	-	4,394	2,327
C O Dixon	200	200	2,327	2,327
D S Sutton	-	-	2,327	2,327
D S Lindsay	-	-	2,327	2,327
G Powell	A Director of Imperial Foods Limited			

NOTE: The share options are options granted between 24 October 1984 and 20 March 1985 to subscribe for ordinary shares of 25p each of Imperial Group plc under the Imperial Group plc Share Option Scheme, subject to the Rules of the Scheme.

4 EMPLOYMENT POLICIES

Non Discrimination

It is the policy of the Company that employees at all levels shall not discriminate against others, or be discriminated against on the grounds of colour, race, religion, sex or ethnic origins. This policy applies to all conditions of employment, recruitment and other aspects of work.

Disabled

The Company seeks to abide by the Department of Employment's voluntary code of practice on the employment of disabled people. This requires companies to give full and fair consideration to disabled people when applying for jobs, and in offering disabled employees training, career development and promotion opportunities. We believe that if a positive attitude to the employment of disabled people is adopted, then many of the problems commonly considered to be associated with the employment of disabled people can be overcome.

Involvement

The Company continues to operate well established employee consultation arrangements. We remain firmly convinced that progress is most readily achieved by basing employees' involvement on their participation at the workplace - in the office, depot or factory. Management input to existing arrangements continues to be given high priority.

A more comprehensive report on established and new employees involvement activities in Imperial Group as a whole is available from the Group Secretary on request.

5 AUDITORS

The auditors of the Company, Deloitte Haskins & Sells, have signified their willingness to continue in office and a resolution is to be proposed at the forthcoming Annual General Meeting that they be re-appointed as auditors for the ensuing year.

BY ORDER OF THE BOARD

R. Grant

R Grant
Secretary

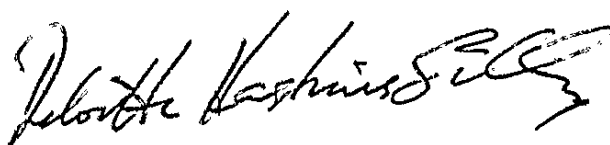
29 January 1986

Hedon Road
Marfleet
Hull
HU9 5NJ

AUDITORS' REPORT TO THE MEMBERS OF
MARFLEET REFINING COMPANY LIMITED

We have audited the accounts set out on pages 5 to 15 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the Company's affairs at 31 October 1985 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.



Deloitte Haskins & Sells

Chartered Accountants
Nottingham

29 January 1986

MARFLEET REFINING COMPANY LIMITEDSTATEMENT OF ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accounts are prepared under the historical cost basis of accounting.

CONSOLIDATED ACCOUNTS

As the Company is a wholly owned subsidiary of Imperial Foods (General Products) Limited incorporated in Great Britain, consolidated accounts have not been prepared.

VALUATION OF STOCKS

Stocks have been valued at cost or at estimated net realisable value if lower. Cost includes an appropriate proportion of overheads based on normal levels of activity.

DEPRECIATION

No depreciation is provided on freehold land; all other tangible assets are depreciated on a straight line basis, on original cost after deduction of government and EEC grants.

The rates used are calculated to write off the cost of each asset over its estimated useful life as follows:

Freehold and leasehold buildings	2%
Plant and equipment	5% - 25%
Computers	20%
Goods vehicles	16.66% - 25%
Motor cars	25%

DEFERRED TAXATION

Provision is made on the liability method for taxation which is deferred as a result of all short term timing differences between profits as computed for taxation purposes and profits as stated in the accounts. Provision is made for other timing differences except where it is considered that there is a reasonable probability that they will continue for at least three years.

Where any taxation deferred in accordance with the above policy represents an amount of tax recoverable, provision is made for it only where there is a reasonable certainty that recovery will be achieved in future periods.

TRANSLATION OF FOREIGN CURRENCIES

All transactions of a trading nature are translated into sterling at the rates of exchange ruling at the date of the transaction, exchange gains or losses being included in profit on ordinary activities before taxation.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at exchange rates ruling at the year end unless forward rates of exchange have been contracted in which case the contracted rate is used.

RESEARCH, DEVELOPMENT, ADVERTISING AND PROMOTIONAL EXPENDITURE

This expenditure is charged against revenue in the year in which it is incurred.

PENSIONS

The Company's obligations to provide pensions for its employees is covered by the Imperial Foods Group Pension Scheme which is a defined benefit scheme whose assets are independent of the Group and are managed by trustees. The scheme is funded at rates of contribution determined by an independent actuary in order to provide benefits as defined by the scheme. Full actuarial valuations are made at periodic intervals not exceeding three years and the profit and loss account bears the Company's share of contributions as defined by the independent actuary.

MARFLEET REFINING COMPANY LIMITEDPROFIT & LOSS ACCOUNTFOR THE YEAR ENDED 31 OCTOBER 1985

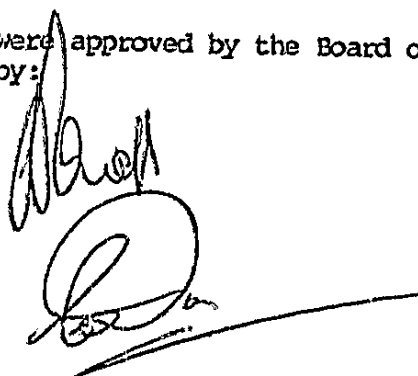
	<u>Note</u>	<u>1985</u> <u>£000's</u>	<u>1984</u> <u>£000's</u>
TURNOVER	2	29,339	35,903
Cost of Sales		(26,895)	(32,751)
GROSS PROFIT		<u>2,444</u>	<u>3,152</u>
Distribution Costs		(482)	(546)
Administrative Expenses		(179)	(389)
Other income		22	18
OPERATING PROFIT	3	<u>1,805</u>	<u>2,235</u>
Interest payable		(2)	(25)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,803</u>	<u>2,210</u>
Taxation on profit on ordinary activities	5	(749)	(899)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>1,054</u>	<u>1,311</u>
EXTRAORDINARY LOSS	6	<u>37,398</u>	<u>(192)</u>
PROFIT OF THE FINANCIAL YEAR		<u>38,452</u>	<u>1,119</u>
Proposed dividends		(1,761)	(650)
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>36,691</u>	<u>469</u>
Retained profit brought forward		880	411
RETAINED PROFIT CARRIED FORWARD		<u><u>37,571</u></u>	<u><u>880</u></u>

MARFLEET REFINING COMPANY LIMITEDBALANCE SHEET AT 31 OCTOBER 1985

	Note	<u>1985</u> <u>£000's</u>	<u>1984</u> <u>£000's</u>
FIXED ASSETS			
Tangible Assets	7	-	2,066
Investments	8	1,616	1,487
		<u>1,616</u>	<u>3,553</u>
CURRENT ASSETS			
Stocks	9	-	3,406
Debtors	10	15	4,809
Amount due from holding company		39,669	-
Cash at Bank and in Hand		-	187
		<u>39,684</u>	<u>8,402</u>
CREDITORS: DUE WITHIN ONE YEAR			
Creditors due within one year	11	(3,679)	(7,213)
Amount due to holding company		-	(2,700)
		<u>(3,679)</u>	<u>(9,913)</u>
NET CURRENT LIABILITIES		36,005	(1,511)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>37,621</u>	<u>2,042</u>
CREDITORS: DUE AFTER ONE YEAR		-	(920)
PROVISIONS FOR LIABILITIES AND CHARGES	12	-	(192)
		<u>37,621</u>	<u>930</u>
CAPITAL AND RESERVES			
Called up Share Capital	13	50	50
Profit and Loss Account		37,571	880
		<u>37,621</u>	<u>930</u>

The accounts on pages 5 to 15 were approved by the Board of Directors on 29 January 1986 and signed on its behalf by:

C O Dixon)
) Directors
G Powell)



MARFLEET REFINING COMPANY LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31. OCTOBER 1985

	<u>Notes</u>	<u>1985</u> <u>£000's</u>	<u>1984</u> <u>£000's</u>
SOURCE OF FUNDS			
Profit on Ordinary Activities before Taxation		1,803	2,210
Depreciation		220	270
Profit on Sale of Tangible Assets		(11)	(19)
Total arising from operations		<u>2,012</u>	<u>2,461</u>
Sale of business to holding company		39,400	-
Proceeds from the sale of tangible fixed assets		27	27
Decrease in working capital	14	796	40
		<u>42,235</u>	<u>2,528</u>
APPLICATION OF FUNDS			
Investment in subsidiaries		(129)	-
Transfer of business from group company		(202)	-
Tangible assets from group companies		(4)	-
Purchase of tangible assets		(335)	(662)
Dividends paid		(650)	(900)
Tax paid		(3)	(759)
		<u>(1,323)</u>	<u>(2,321)</u>
Increase in net liquid funds	14	<u>40,912</u>	<u>207</u>

MARFLEET REFINING COMPANY LIMITEDNOTES TO THE ACCOUNTS

1 REORGANISATION

The principal activities of the Company until 29 July 1985 were the processing and marketing of edible oils and fats, and manufacture of vitamin supplements.

On that date the Company's trade, assets and liabilities were transferred to Imperial Foods (General Products) Ltd, a fellow subsidiary of Imperial Group plc. The Company's principal activities since that date has been the provision of agency and management services to Imperial Foods (General Products) Ltd.

2 TURNOVER

Turnover comprises the value of goods and services invoiced, excluding Value Added Tax.

The analysis of turnover by activity is as follows:

	1985 £000's	1984 £000's
Sale of Goods	28,520	35,903
Agency and Management Services	819	-
	<u>29,339</u>	<u>35,903</u>

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(a) The analysis of operating profit is:-

Sale of Goods	1,797	2,235
Agency and Management Services	8	-
	<u>1,805</u>	<u>2,235</u>

(b) Profit on ordinary activities before taxation is arrived at after charging/ (crediting):

Interest payable - bank overdraft	2	25
Depreciation	220	270
Auditors' fees and expenses	11	16
Hire of plant and vehicles	11	-
Profit on sale of tangible assets	(11)	(19)
	<u></u>	<u></u>

4 DIRECTORS AND EMPLOYEES

(a) The directors of the company are employed by Imperial Foods Limited, a subsidiary of the ultimate holding company, and are remunerated by Imperial Foods Limited for their services to the Group. They did not receive any remuneration for their services as directors of the company. The chairman did not receive any benefits from the company. Benefits of £7,185 were received by the other directors from the Company and Imperial Foods (General Products) Limited. (1984: £3,340).

(b) No employees received emoluments exceeding £30,000 for the year. (1984: Nil).

4 DIRECTORS AND EMPLOYEES (continued)

(c) The average number of persons employed by the company was:-

	<u>1985</u>	<u>1984</u>
Production	178	170
Sales and Marketing	36	32
Distribution	4	4
Administration	34	36
	<u>252</u>	<u>242</u>

Since 29 July 1985 the employees of Marfleet Refining Company Ltd have been employed in the above categories in the business of Imperial Foods (General Products) Ltd.

(d) The costs incurred in respect of employees were:	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Wages and salaries	2,074	1,681
Social security costs	165	155
Other pension costs	44	61
	<u>2,283</u>	<u>1,897</u>

5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

(a) In respect of the year:

United Kingdom Corporation tax at 42.08% (1984 47.08%)	749	920
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(b) In respect of earlier years
Corporation tax

-	(21)
<u>749</u>	<u>899</u>

The taxation charge for the year has been reduced by the following amounts:

Stock relief	-	44
The excess of capital allowances over depreciation and other timing differences	8	79
	<u>8</u>	<u>123</u>

The Company's corporation tax liabilities are settled by its parent company.

6 EXTRAORDINARY ITEMS

	<u>1985</u> <u>£000's</u>	<u>1984</u> <u>£000's</u>
Extraordinary income before taxation		
Profit on sale of business to holding company	37,398	-
	<u>37,398</u>	<u>-</u>
Taxation		
Deferred taxation	-	(192)
	<u>37,398</u>	<u>(192)</u>

Deferred taxation represents a provision for the effect of changes in corporation tax made in the Finance Act 1984.

7 TANGIBLE FIXED ASSETS

	<u>Land and Buildings</u> <u>Short</u> <u>Leasehold</u> <u>£000's</u>	<u>Freehold</u> <u>£000's</u>	<u>Plant</u> <u>and</u> <u>Machinery</u> <u>£000's</u>	<u>Fixtures</u> <u>Fittings</u> <u>Tools and</u> <u>Equipment</u> <u>£000's</u>	<u>Total</u> <u>£000's</u>
Cost					
At 31 October 1984	147	262	2,839	374	3,622
Additions	82	-	112	141	335
Disposals	-	-	(24)	(70)	(94)
Inter-company:					
Additions	-	-	481	92	573
Disposals	(229)	(262)	(3,408)	(537)	(4,436)
At 31 October 1985	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation					
At 31 October 1984	6	81	1,315	154	1,556
Charge for year	5	-	160	55	220
Disposals	-	-	(23)	(55)	(78)
Inter-company:					
Additions	-	-	252	62	314
Disposal	(11)	(81)	(1,704)	(216)	(2,012)
At 31 October 1985	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET BOOK VALUE					
At 31 October 1985	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 October 1984	<u>141</u>	<u>181</u>	<u>1,524</u>	<u>220</u>	<u>2,066</u>

8 INVESTMENTS

The Company owns the whole of the share capital, 100 shares of £1 each, of British Cod Liver Oils Limited.

The Company also owns the whole of the share capital 26,663,300 non-cumulative preference shares of 1p each and 266,633 ordinary shares of 1p each, of Seven Seas Health Care Limited.

On 30 October 1985 the Company acquired from a fellow subsidiary the whole of the share capital, 100,000 ordinary shares of £1 each of New Era (Holdings) Limited for £129,000. Neither New Era (Holdings) Limited or its subsidiaries are currently trading.

British Cod Liver Oils Limited and Seven Seas Health Care Limited have not traded during the year.

9 STOCKS

	<u>1985</u> <u>£000's</u>	<u>1984</u> <u>£000's</u>
Raw materials	-	1,735
Work in progress	-	706
Finished goods	-	965
	<u>-</u>	<u>3,406</u>

10 DEBTORS: DUE WITHIN ONE YEAR

Trade debtors	-	2,505
Fellow subsidiaries	-	2,073
Other debtors	-	168
Prepayments and accrued income	15	63
	<u>15</u>	<u>4,809</u>

11 CREDITORS: DUE WITHIN ONE YEAR

Trade creditors	-	3,755
Subsidiaries	1,640	1,487
Corporation tax	-	935
Other taxation and social security	151	174
Accruals and deferred income	-	212
Other creditors	127	-
Proposed dividend	1,761	650
	<u>3,679</u>	<u>7,213</u>

Creditors include £Nil (1984 - £4,000) in respect of pension commitments.

12 PROVISIONS FOR LIABILITIES AND CHARGES

	<u>1985</u> <u>£000's</u>	<u>1984</u> <u>£000's</u>
Deferred taxation	-	192

The provision at 31 October 1984 was included in the assets and liabilities sold to Imperial Foods (General Products) Ltd.

13 CALLED UP SHARE CAPITAL

Authorised, allotted, called up
and fully paid:

50,000 ordinary shares at £1 each	<u>50</u>	<u>50</u>
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14 STATEMENT OF FUNDS

(a) Decrease in working capital

Stocks	(669)	(320)
Debtors	2,043	315
Creditors	(578)	45
	<u>796</u>	<u>40</u>

(b) Increase in net liquid funds

Amount due from holding company	40,903	-
Balance at bank	9	207
	<u>40,912</u>	<u>207</u>

(c) The assets and liabilities on disposal have been eliminated from the movements and the proceeds of sale have been substituted. A summary of the underlying net assets at the dates of disposal were as follows:

Fixed assets	2,424
Stocks	4,443
Debtors	4,795
Amount due to holding company	(1,466)
Creditors	(5,508)
Cash at Bank and in Hand	247
Obligations under finance leases	(41)
Amount due to ultimate holding company	(2,700)
Provisions	(192)
	<u>2,002</u>

15 PENSION OBLIGATIONS

The latest actuarial valuation of the Imperial Foods Pension Fund on a discontinuance basis showed no actuarial deficit.

16 ULTIMATE HOLDING COMPANY

The Company is a wholly owned subsidiary of Imperial Foods (General Products) Limited and its ultimate holding company is Imperial Group plc, a company incorporated in Great Britain.