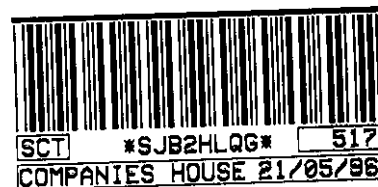


77607

CASTLE MACLELLAN FOODS LIMITED
DIRECTOR'S REPORT AND ACCOUNTS
31ST AUGUST 1995

CARSON & TROTTER, DUMFRIES

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CASTLE MACLELLAN FOODS LIMITED

Company information

Directors	C.S.WARDEN J.CARSWELL C.G.WILSON
Secretary	C.S.WARDEN
Registered Office	Riverside Dee Walk Kirkcudbright DG6 4DR
Auditors	Messrs Carson & Trotter Chartered Accountants and Registered Auditors 123 Irish Street Dumfries DG1 2PE
Company Number	77607(Scotland)

CASTLE MACLELLAN FOODS LIMITEDDIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31ST AUGUST 1995.

Statement of directors' responsibilities

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

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) 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.

Principal activity and review of the business

The company's principal activity during the year was the manufacture and sale of pate.

As acknowledged in the Directors' Report for the year ended 31st August 1994 the remaining Preference Shares of £40,000 were redeemed in this year. This, after consultation with our bank and financial advisors, was done in the best interests of the company.

The unsolicited approach by a third party to secure the entire Ordinary Share Capital of the company was aborted. Negotiations were at an advanced stage and, consequently, considerable expenses in relation to the proposed acquisition were incurred by the company. Both of the aforementioned events are reflected in this years' accounts.

Results for the last quarter of the year were disappointing when set against the encouraging performance against budget for the preceding months. The Directors are delighted that actions taken have reversed this trend and can report most positive results against budget subsequent to the year end. We are confident in a continuation of this trend throughout 1996.

Directors and their interests

The directors at 31ST AUGUST 1995 and their interests in the share capital of the company (all beneficially held) were as follows:

	At 31st August 1995	At 31st August 1994
	Ordinary shares	Ordinary shares
Mr.C.S.Warden	66,500	61,500
Mr.J.Carswell	52,500	37,500
Mr.C.G.Wilson	20,000	10,000

The Directors are all permanent and consequently no Director requires to be re-elected at the Annual General Meeting.

Close company status

The company is a close company within the meaning of the Income & Corporation Taxes Act 1988.

Auditors

A resolution to re-appoint as auditors Messrs. Carson & Trotter, C.A. will be put to the Annual General Meeting.

This report, which has been prepared taking advantage of special exemptions applicable to small companies, was approved by the board on 15th December, 1995 and signed on their behalf.

By order of the Board

C.S.W.

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C.S.Warden

Secretary.

1st May, 1996

CASTLE MACLELLAN FOODS LIMITEDAuditors' report to the shareholders of CASTLE MACLELLAN FOODS LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on pages 6 and 7.

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.

Other matters

As mentioned in the Directors' Report, the outstanding Preference Shares of £40,000 were redeemed during the year. This caused the Profit and Loss account to go into deficit which is contrary to the Companies Act, 1985. Our examination of management accounts since the year end has shown that the position has been corrected.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31ST AUGUST 1995 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.

Carson & Trotter C.A.

CARSON & TROTTER,
Chartered Accountants and
Registered Auditors.

123, Irish Street,
Dumfries.

1st May, 1996.

CASTLE MACLELLAN FOODS LIMITED

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PROFIT AND LOSS ACCOUNT

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FOR THE YEAR ENDED 31ST AUGUST 1995

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	Notes	1995 £	1994 £
TURNOVER	2	1,633,230	1,477,328
Cost of sales		1,160,051	1,033,384
		-----	-----
GROSS PROFIT		473,179	443,944
Distribution costs	22,809		16,897
Administration expenses	385,081		339,509
		-----	-----
		407,890	356,406
		-----	-----
OPERATING PROFIT	3	65,289	87,538
Other interest receivable and similar income	4	874	129
		-----	-----
		66,163	87,667
Interest payable and similar charges	5	36,388	28,239
		-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		29,775	59,428
Tax on profit on ordinary activities	6	11,633	12,978
		-----	-----
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		18,142	46,450
Dividends	7	-	4,800
		-----	-----
		18,142	41,650
Premium on redemption of preference shares	15	3,600	7,200
		-----	-----
RETAINED PROFITS FOR YEAR		14,542	34,450
Revenue deficit brought forward		(40)	45,510
Transfer from revaluation reserve	16	400	-
Redemption of preference shares	15	(40,000)	(80,000)
		-----	-----
		(39,640)	(34,490)
		-----	-----
REVENUE DEFICIT as at 31ST AUGUST 1995		(25,098)	(40)
		=====	=====

There were no recognised gains or losses for 1995 or 1994 other than those included in the profit and loss account.

The attached notes form part of these accounts.

CASTLE MACLELLAN FOODS LIMITED

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BALANCE SHEET

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as at 31ST AUGUST 1995

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	Notes	1995 £	1994 £
FIXED ASSETS			
Tangible assets	8	623,598	626,952
CURRENT ASSETS			
Stocks	9	95,163	70,869
Debtors	10	264,048	225,322
Cash at bank and in hand		31,203	14,395
		-----	-----
		390,414	310,586
CREDITORS:			
Amounts falling due within one year	11	638,312	545,482
		-----	-----
NET CURRENT (LIABILITIES)		(247,898)	(234,896)
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		375,700	392,056
CREDITORS:			
Amounts falling due after more than one year	12	31,482	48,697
Deferred taxation	13	24,611	12,978
ACCRUALS AND DEFERRED INCOME			
Capital grants	14	81,105	70,421
		-----	-----
NET ASSETS		238,502	259,960
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	15	140,000	180,000
Other reserves	16	123,600	80,000
Profit and loss account	17	(25,098)	(40)
		-----	-----
SHAREHOLDERS FUNDS	18	238,502	259,960
		=====	=====

The directors have taken advantage, in the preparation of these accounts, of special exemptions applicable to small companies on the grounds that the company qualifies as a small company by virtue of section 247 of the Companies Act 1985. The accounts were approved by the board on 15th December, 1995 and signed on its behalf.

C.S.W.

C.S. Warden - Director

The attached notes form part of these accounts.

CASTLE MACLELLAN FOODS LIMITED

NOTES TO THE ACCOUNTS
At 31ST AUGUST 1995

1. ACCOUNTING POLICIES

The following accounting policies have been applied in dealing with items which are considered to be material to the company's accounts.

A) Basis of accounting

The financial statements are prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and include the results of the company's operations which are described in the Directors' Report and all of which are continuing.

The company has taken advantage of the exemption in Financial Reporting Standard No. 1 from the requirement to produce a cashflow statement on the grounds that it is a small company.

B) Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:

Freehold buildings	- 0.25% reducing balance
Equipment under finance leases	- over the primary lease term or expected useful life
Plant and machinery	- 10/20% straight line
Motor vehicles	- 25% " "

C) Stock and work in progress

Stock and work in progress, as detailed in note 9, is valued at the lower of cost and net realisable value with proper provision being made for obsolete and slow moving stock. Cost comprises:

- 1) invoice price of materials purchased
- 2) costs included in arriving at stock condition

D) Repairs and renewals

All expenditure of this nature is written off as incurred.

E) Leasing

Tangible Fixed Assets acquired under finance leases or hire purchase contracts are capitalised and depreciated in the same manner as other tangible assets. The related obligations, net of future finance charges, are included in creditors.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

F) Deferred taxation

Provision has been made, under the liability method, at current rates of taxation on all timing differences, other than those likely to continue for the foreseeable future.

CASTLE MACLELLAN FOODS LIMITED

NOTES TO THE ACCOUNTS
At 31ST AUGUST 1995

G) Government grants

Government grants amounting to £95,000 are being released to profit and loss account over the expected useful life of the assets concerned.

H) Pension Costs

The Company operates pension schemes for certain of its employees. The funds of the schemes are administered by Trustees and are separate from the Company.

2. TURNOVER

In the year ended 31st August, 1995 none of the company's turnover was to markets outside the United Kingdom (1994 Nil).

3. OPERATING PROFIT

	1995 £	1994 £
This is stated after charging:		
Directors' remuneration:		
Fees	-	-
Other emoluments (including pension contributions)	73,264	55,231
	-----	-----
	73,264	55,231
	=====	=====
Hire of plant and machinery	10,909	9,532
	=====	=====
Auditors' remuneration	3,900	3,975
	=====	=====
Depreciation of tangible fixed assets:-		
owned by the company	14,646	15,130
held under finance leases and hire purchase contracts	8,993	8,596
	-----	-----
	23,639	23,726
	=====	=====

4. INCOME FROM INVESTMENTS

	1995 £	1994 £
Building Society interest	874	129
	=====	=====

CASTLE MACLELLAN FOODS LIMITED

NOTES TO THE ACCOUNTS
At 31ST AUGUST 1995

5. INTEREST PAYABLE

	1995	1994
	£	£
Bank interest	30,060	21,890
Loan interest	236	68
Hire purchase interest and leasing charges	6,092	6,281
	-----	-----
	36,388	28,239
	=====	=====

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1995	1994
	£	£
Based on the profit for the year:		
Corporation tax at current rates	-	-
Deferred taxation	11,633	12,978
	-----	-----
	11,633	12,978
	=====	=====

7. DIVIDENDS

	1995	1994
	£	£
Proposed dividend on preference shares	-	4,800
	=====	=====

CASTLE MACLELLAN FOODS LIMITED

NOTES TO THE ACCOUNTS
At 31ST AUGUST 1995

8. TANGIBLE ASSETS

Cost or valuation:

	Opening balance £	Additions £	Disposals £	Closing balance £
Freehold buildings	410,896	-	-	410,896
Freehold land	8,735	-	-	8,735
Equipment under finance leases	16,967	-	-	16,967
Plant and machinery	386,671	37,359	89,085	334,945
Utensils	2,250	-	2,250	-
Motor Vehicles	13,006	-	-	13,006
	838,525	37,359	91,335	784,549
	=====	=====	=====	=====

Depreciation:

	Opening balance £	Charge for year £	Disposals £	Closing balance £
Freehold buildings	3,595	1,018	-	4,613
Equipment under finance leases	11,265	1,901	-	13,166
Plant and machinery	187,173	19,309	72,087	134,395
Utensils	2,174	-	2,174	-
Motor Vehicles	7,366	1,411	-	8,777
	211,573	23,639	74,261	160,951
	=====	=====	=====	=====

Net book value:

	Opening balance £	Closing balance £
Freehold buildings	407,301	406,283
Freehold land	8,735	8,735
Equipment under finance leases	5,702	3,801
Plant and machinery	199,498	200,550
Utensils	76	-
Motor Vehicles	5,640	4,229
	626,952	623,598
	=====	=====

Included in the total net book value of tangible fixed assets held at 31st August, 1995 was £92,219 (1994 £91,672) in respect of assets held under finance leases and hire purchase contracts.

CASTLE MACLELLAN FOODS LIMITED

NOTES TO THE ACCOUNTS
At 31ST AUGUST 1995

9. STOCKS

	1995 £	1994 £
Finished goods, raw materials, dishes and boxes	95,163 =====	70,869 =====

10. DEBTORS

	1995 £	1994 £
Due within one year:		
Trade debtors	216,574	190,652
Other debtors	47,474	34,670
	-----	-----
	264,048 =====	225,322 =====

11. CREDITORS: Amounts falling due within one year

	1995 £	1994 £
Obligations under finance leases and hire purchase contracts	23,287	20,069
Bank loans and overdrafts (Secured)	365,010	373,829
Trade creditors	216,226	111,102
Other taxes and social security	10,792	8,783
Other creditors	22,997	31,699
	-----	-----
	638,312 =====	545,482 =====

12. CREDITORS : Amounts falling due after more than one year

	1995 £	1994 £
Obligations under finance leases and hire purchase contracts	29,007	45,322
Other creditors	2,475	3,375
	-----	-----
	31,482 =====	48,697 =====

13. DEFERRED TAXATION

	Provision		Potential	
	1995 £	1994 £	1995 £	1994 £
Capital allowances in advance of depreciation	47,963	41,620	47,963	41,620
Less:				
Unrelieved losses	23,352	28,642	23,352	28,642
	-----	-----	-----	-----
	24,611 =====	12,978 =====	24,611 =====	12,978 =====

CASTLE MACLELLAN FOODS LIMITED

NOTES TO THE ACCOUNTS
At 31ST AUGUST 1995

14. CAPITAL GRANTS

This represents the balance of a) a Department of Trade and Industry grant and b) a Scottish Office Industrial Development grant, received for the development of the Riverside, Dee Walk, Kirkcudbright premises of the company. The grants are being released to the profit and loss account over the expected useful lives of the assets to which they relate.

15. SHARE CAPITAL

	Authorised		Allotted, issued and fully paid	
	1995 No.	1994 No.	1995 £	1994 £
Ordinary shares of £1 each	250,000 =====	250,000 =====	140,000 =====	140,000 =====
12% Cumulative Redeemable Participating Preference shares of £1 each	120,000 =====	120,000 =====	- =====	40,000 =====

During the year the Company redeemed the following share capital:-

- a) 40,000 12% Cumulative Redeemable Participating Preference shares of £1 each

The shares were redeemed at a cost of £1.09 each per £1.00 share, making a premium payable of £3,600, which has been deducted from retained profits.
The nominal value of the shares, £40,000, has been transferred from the profit and loss account to the Capital Redemption Reserve - see note 16.

16. OTHER RESERVES

	1995 £	1994 £
(a) Revaluation Reserve	-	-
Balance as at 1st September, 1994	4,000	-
Arising on revaluation during the year	(400)	-
Amortisation during the year	-----	-----
Balance as at 31st August, 1995	3,600 =====	- =====

The revaluation reserve represents the surplus which has arisen on the revaluation of items of plant and machinery. The amount amortised has been transferred to the profit and loss account, and represents that part of the depreciation charge for the year on plant and machinery which is attributable to the surplus on revaluation.

(b) Capital Redemption Reserve	80,000	-
Balance as at 1st September, 1994	40,000	80,000
Transferred during the year	-----	-----
Balance as at 31st August, 1995	120,000 =====	80,000 =====

The capital redemption reserve represents the nominal value of preference shares redeemed.

CASTLE MACLELLAN FOODS LIMITED

NOTES TO THE ACCOUNTS
At 31ST AUGUST 1995

17. PROFIT AND LOSS ACCOUNT

	1995	1994
	£	£
Balance as at 1st September, 1994	(40)	45,510
Transfer from revaluation reserve	400	-
Transfer to capital redemption reserve	(40,000)	(80,000)
Retained profits for year	14,542	34,450
	-----	-----
Balance as at 31st August, 1995	(25,098)	(40)
	=====	=====

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	1995	1994
	£	£
Profit for the year	18,142	46,450
<u>Less:- Dividends</u>	-	4,800
	-----	-----
	18,142	41,650
<u>Add:- Revaluation of fixed assets</u>	4,000	-
	-----	-----
	22,142	41,650
<u>Less:- Redemption of share capital</u>	43,600	87,200
	-----	-----
	(21,458)	(45,550)
Opening shareholders funds	259,960	305,510
	-----	-----
Closing shareholders funds	238,502	259,960
	=====	=====

19. LEASING COMMITMENTS

At 31st August, 1995 the company had annual commitments under non-cancellable operating leases as detailed below:-

	1995	1994
	Plant & Machinery	Plant & Machinery
	£	£
Operating leases which expire:-		
Within one year	653	-
Within two to five years	3,265	3,918
	-----	-----
	3,918	3,918
	=====	=====

20. CAPITAL COMMITMENTS

Commitments to capital expenditure at the end of the year were as follows:-

	1995	1994
	£	£
Authorised and contracted for	27,790	-
	=====	=====

CASTLE MACLELLAN FOODS LIMITED

NOTES TO THE ACCOUNTS
At 31ST AUGUST 1995

21. PENSIONS

The company operates a contributory pension scheme. It is a funded defined contribution scheme and contributions are charged in the profit and loss account as they accrue. The charge for the year was £8,534 (1994 £8,539).

CARSON & TROTTER, DUMFRIES