

REPORT OF THE DIRECTORS

The directors present their report with the financial statements of the Company for the eighteen-month period ended 30th June, 1981 ("the period").

Results

The profit for the period and appropriation thereof is set out in the annexed profit and loss account.

Dividends

The directors do not recommend paying a dividend on the Ordinary share capital.

Principal activities

The Company continues to act as an investment holding company managing a group of subsidiaries in the Timber and allied trades.

Change of Ownership

In January 1981 an Offer was made on behalf of Brooke Bond Liebig Limited ("BBL") to the holders of the Company's shares not already owned by BBL.

The Offer was successful and in June 1981 the Company became a wholly-owned subsidiary of BBL under the provisions of S.209 of the Companies Act 1948.

Share Capital

During the period the following issues of the Company's shares were made:-

In March 1980 1,666,667 Ordinary Shares of 25p. each were issued as part consideration to the vendors of the entire Share Capital of Keith Young (Insulation Supplies) Limited.

In July 1980 21,317,427 Ordinary Shares of 25p. each were issued by way of a 2 for 5 Rights Issue to the existing Ordinary Shareholders at 35p. per share.

In January 1981 71,610,994 Ordinary Shares of 25p. each were issued by way of a 1 for 1 Capitalisation of Reserves Issue to existing Ordinary Shareholders whose Ordinary shares held immediately before such Issue were then converted into a like number of Deferred Shares of 25p. each.

Exports

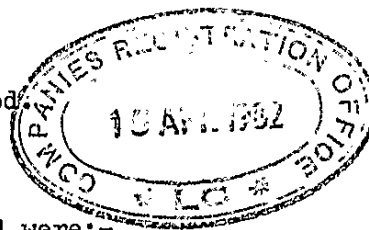
The company exported no goods during the period.

Directors

The directors of the company during the period were:-

R.T.S. Macpherson	(Chairman and Managing Director)
J.B. Brighthouse	(Appointed 28.1.1981)
Sir Frederick Catherwood	(Resigned 16.3.1981)
J.G. Dyke	
A.P. Harvey	(Appointed 1.12.1980)
The Earl of Limerick	(Resigned 16.3.1981)
T.S. Mallinson	
I.D. McLean	
J.M. Thomson	(Appointed 28.1.1981)

Since the end of the period Mr. F.F. Andrew was appointed a director of the Company on 1st July 1981.



MALLINSON-DENNY LIMITED

REPORT OF THE DIRECTORS (Continued)

Directors (Continued)

Directors' interests in shares and debenture of the Company at 1.1.1980 and of its ultimate parent company at 30.6.1981.

According to the register kept under Section 29 of the Companies Act 1967 the interests of the directors in the shares and debentures of the relevant companies at the commencement and end of the year were as follows:-

<u>Director</u>	<u>Date</u>	<u>Brooke Bond</u>	<u>Mallinson-Denny Limited</u>	
		<u>Liebig Limited</u>		
		<u>Ordinary</u>	<u>Ordinary</u>	<u>4.2% Preference</u>
J.G. Dyke	1. 1.80	-	25,626	-
	30. 6.81	42,709	-	-
A.P. Harvey	1.12.80	-	12,110	108
	30. 6.81	15,000	-	-
I.D. McLean	1. 1.80	-	31,114	-
	30. 6.81	50,890	-	-
T.S. Mallinson	1. 1.80	-	306,350	-
	30. 6.81	196,300	-	-

The interests of Mr. R.T.S. Macpherson, Mr. J.B. Brighthouse and Mr. J.M. Thomson are disclosed in the report of BBL.

Health and Safety at Work

It is the board's intention that the Company shall remain amongst the leaders in caring for the health and safety of employees at work and of members of the public to the extent that they be affected by its activities.

Safe working is an integral part of every production and operation programme and the maintenance of constant interest in the aspect of safety a prime consideration.

Auditors

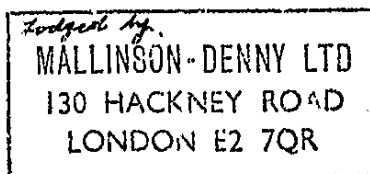
The Auditors, Thomson McLintock & Co. are willing to continue in office and a resolution concerning their reappointment and remuneration will be submitted to the annual general meeting.

By Order of the Board

A.P. Harvey
Secretary

130 Hackney Road,
London E2 7QR.

5th October 1981.

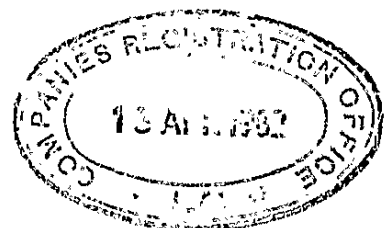


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MALLINSON-DENNY LIMITED

FINANCIAL STATEMENTS

30 JUNE 1981



AUDITORS' REPORT TO THE MEMBERS OF
MALLINSON-DENNY LIMITED

LONDON 21 October 1981 We have audited the financial statements on pages 2 to 13 in accordance with approved Auditing Standards.

In our opinion the financial statements which have been prepared under the historical cost convention as modified by the revaluation of land and buildings, give a true and fair view of the state of the affairs of the company at 30 June 1981 and of the profit and source and application of funds for the 18 months then ended, and comply with the Companies Acts 1948 to 1980.

Thomson McIntock & Co

Chartered Accountants

MALLINSON-DENNY LIMITEDPROFIT AND LOSS ACCOUNTFor the 18 months ended 30 June 1981

	<u>Notes</u>		<u>Year ended 31 December 1979</u>
TRADING LOSS	2	£(444,251)	£(568,908)
Interest and dividends	3	5,520,596	10,423,565
PROFIT BEFORE TAXATION		5,076,345	9,854,657
TAXATION for the period	4	(3,471,381)	19,875
PROFIT AFTER TAXATION		1,604,964	9,874,532
EXTRAORDINARY ITEMS	5	35,442	13,565
		1,640,406	9,888,097
Dividends paid and proposed:			
4.2% cumulative preference shares		116,802	77,868
Ordinary shares - Interim of 1.5p per share (1979 - 1.5p)		1,119,165	774,404
Final (1979 - 2.25p per share)		-	1,199,105
		(1,235,967)	(2,051,377)
RETAINED PROFIT		£ 404,439	£ 7,836,720
<u>MOVEMENT IN RESERVES</u>			
At 1 January 1980		£ 37,480,057	£ 31,018,506
Capitalisation issue		(10,553,564)	-
Exchange adjustments		237,753	(30,808)
Surplus on revaluation of properties		68,361	-
Decrease in underlying net asset value of subsidiary and associated companies for the year		(43,929)	(1,344,361)
Retained profit/(loss) for the year		404,439	7,836,720
At 30 June 1981		£ 27,593,117	£ 37,480,057

MALLINSON-DENNY LIMITEDBALANCE SHEET

As at 30 June 1981

31 December
1979

SOURCES OF FUNDS

	Notes		
SHARE CAPITAL	6	£ 39,159,497	£ 14,760,725
SHARE PREMIUM ACCOUNT	7	-	2,419,036
RESERVES	8	27,593,117	37,480,057
		<hr/>	<hr/>
		66,752,614	54,659,818
DEBENTURE AND LOANS	9	16,094,973	14,630,341
DEFERRED TAXATION	10	-	(1,771,250)
		<hr/>	<hr/>
		£ 82,847,587	£ 67,518,909
		<hr/>	<hr/>

EMPLOYMENT OF FUNDS

FIXED ASSETS	11	£ 2,871,839	£ 2,893,339
ASSOCIATED COMPANY	12	1	399,995
INVESTMENTS	13	234,316	234,316
SUBSIDIARY COMPANIES	14	82,353,797	76,871,753

NET CURRENT ASSETS

Debtors	£ 617,147	739,189
Cash	749,182	-
	<hr/>	<hr/>
	1,366,329	739,189
	<hr/>	<hr/>
Deduct: Creditors and provisions	794,242	1,958,843
Bank overdrafts	1,271,464	9,453,719
Current taxation	(54,830)	1,008,016
Final dividend proposed on ordinary shares	-	1,199,105
	<hr/>	<hr/>
	2,010,876	13,619,683
	<hr/>	<hr/>
	(644,547)	(12,880,494)
	(1,967,819)	-

INTER COMPANY ACCOUNTS

Director

Director

£ 82,347,587

£ 67,518,909

MALLINSON-DENNY LIMITED

NOTES

(forming part of the financial statements)

30 June 1981

1 ACCOUNTING POLICIES

Depreciation

The book value of fixed assets is written off by equal annual instalments over their anticipated lives, making due allowance for obsolescence and the changing requirements of the company in addition to normal wear and tear.

Extraordinary items

Material items which derive from events or transactions outside the ordinary activities of the business are shown as extraordinary items in the profit and loss account.

Deferred taxation

The tax charge is adjusted to remove the effect of timing differences arising from:

- a material revenue expenditure charged in the accounts which is not allowed for taxation purposes until later periods
- b other deferrals of material taxation liabilities except where on a group basis they will result in these liabilities not arising in the foreseeable future.

The deferred taxation account represents tax at the current rate on the resulting net differences. Advance corporation tax on dividends paid and proposed which is recoverable by deduction from future corporation tax payments is offset against this account in the balance sheet.

The effect of applying this policy in 1981 is that no deferred taxation is provided.

Subsidiary and associated companies

An associated company is defined as a company, not being a subsidiary in which the company has a substantial interest and in whose commercial and financial policy decisions the company participates.

The investments in subsidiary companies are stated in the balance sheet at the group's share of the net assets of those companies.

MALLINSON-DENNY LIMITEDNOTES (continued)30 June 1981

2 TRADING LOSS

	<u>18 months ended 30 June 1981</u>	<u>Year ended 31 December 1979</u>
The trading loss is stated after charging the following:		
Depreciation of fixed assets	£ 136,118	£ 90,881
Auditors' remuneration, including expenses	47,818	21,500
Hire of plant	37,775	-
Directors' emoluments		
Fees	2,571	3,225
Other emoluments	232,451	131,053
Pensions to former directors	18,795	11,148
	<u>£ 434,548</u>	<u>£ 266,507</u>

Two directors served as chairman during the period, their emoluments whilst serving in that capacity being:

The Earl of Limerick	(up to 16 March 1981)	£10,276
RTS Macpherson	(from 17 March 1981)	£15,313

The emoluments of the two chairmen in office during the year ended 31 December 1979 amounted to £9,562.

The highest paid director received emoluments of £72,750 (year ended 31 December 1979 - £40,250).

The emoluments of the other directors excluding pension contributions, fell in each £5,000 tranche as follows:

	<u>18 months ended 30 June 1981</u>	<u>Year ended 31 December 1979</u>
£ 0 - £ 5,000	-	1
£ 5,001 - £10,000	1	1
£10,001 - £15,000	1	-
£15,001 - £20,000	-	1
£20,001 - £25,000	-	2
£25,001 - £30,000	1	-
£35,001 - £40,000	2	-
	=	=

3 INTEREST AND DIVIDENDS

	<u>18 months ended 30 June 1981</u>	<u>Year ended 31 December 1979</u>
Interest payable:		
Bank overdraft and other short term interest	£ 7,935,834	£ 4,174,971
On loans repayable in more than five years	764,046	802,409
Inter group interest	(10,603,913)	(5,541,999)
Interest receivable	(55,318)	(14,972)
Income from listed investments	(26,056)	(13,316)
Income from unlisted investments	(13,760)	(54,956)
Inter company dividends receivable	(3,521,429)	(9,775,702)
	<u>£(5,520,596)</u>	<u>£(10,423,565)</u>

MALLINSON-DENNY LIMITEDNOTES (continued)30 June 1981

4 TAXATION

	18 months ended 30 June 1981	Year ended 31 December 1979
Taxation based on the profit/(loss) for the period:		
UK corporation tax (group relief receivable) at 52%	£ 740,688	£(41,494)
Double tax relief	(7,739)	(22,316)
Overseas tax	11,499	22,316
	<hr/>	<hr/>
	744,448	(41,494)
Transfer to deferred taxation account	164,643	5,948
Advance corporation tax	2,580,251	-
Adjustments to prior years' taxation	(17,961)	15,671
	<hr/>	<hr/>
	£ 3,471,381	£(19,875)
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The taxation charge for the period would have been greater by £78,233 (1979 - £99,504) if full provision for deferred taxation had been made in respect of accelerated capital allowances, and reduced by £160,658 if other timing differences had continued to be provided for.

5 EXTRAORDINARY ITEMS

	18 months ended 30 June 1981	Year ended 31 December 1979
Profit/(loss) on sale of properties and investments, less tax	£ 35,442	£ 13,565
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6 SHARE CAPITAL

	Deferred shares of 25p each	Ordinary shares of 25p each	4.2% cumulative preference shares of £1 each
Authorised	£18,652,749	£30,347,251	£ 2,500,000
Issued			
Total at 31 December 1979	£ -	£12,906,725	£ 1,854,000
Rights issue	-	5,329,357	-
Issued on acquisition of new subsidiaries	-	416,667	-
Capital reorganisation	18,652,748	-	-
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Total at 30 June 1981	£18,652,748	£18,652,749	£ 1,854,000
	<hr/>	<hr/>	<hr/>

NOTES (continued)

30 June 1981

6 SHARE CAPITAL (continued)

The authorised ordinary share capital of the company was increased in July 1980 by £7,000,000. In July 1980, 21,317,427 ordinary shares of 25p each were issued to existing shareholders by way of rights, on the basis of two shares for every five shares held at a price of 52p each.

On 26 January 1981, the authorised share capital of the company was further increased to £51,500,000. On the same date a capital reorganisation was approved whereby one new ordinary share for each existing ordinary share was issued by way of capitalisation of the amount then standing to the credit of the share premium account and of part of the reserves of the company, and each existing ordinary share was converted into a deferred share.

7 SHARE PREMIUM ACCOUNT

Total at 31 December 1979	£ 2,419,036
Arising on rights issue	5,346,814
Arising on acquisition of new subsidiaries	333,333
Capitalisation issue	(8,099,183)
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Total at 30 June 1981	£ -

8 RESERVES

The distributable reserves of the company at 30 June 1981 amounted to £11,602,988 (31 December 1979 - £21,659,365).

9 LOANS

	30 June 1981	31 December 1979
8½% Debenture Stock 1987/92	£ 460,341	£ 460,341
Unsecured bank loans repayable wholly or partly after 30 June 1986 at interest rates at from 5/8% to 3/4% above inter bank rate	3,000,000	8,100,000
Unsecured bank loans repayable wholly before 30 June 1986	12,634,632	6,070,000
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	£16,094,973	£14,630,341
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Loans, or instalments thereof, are repayable:		
Within one year	£ 2,668,970	£ 3,780,000
Between one and two years	3,450,000	1,790,000
Between two and five years	8,872,805	5,595,238
Over five years	1,103,198	3,465,103
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	£16,094,973	£14,630,341
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NOTES (continued)

30 June 1981

10 DEFERRED TAXATION AND GOVERNMENT GRANTS

	30 June 1981	31 December 1979
Other timing differences	£ -	£(164,643)
Advance corporation tax	-	(1,606,607)
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	£ -	£(1,771,250)
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The following potential taxation liabilities have not been provided:

	30 June 1981	31 December 1979
Accelerated capital allowances	£ 261,970	£ 183,737
Contingent capital gains	380,507	391,409
Other timing differences	(160,658)	-
	<hr/>	<hr/>
	£ 481,819	£ 575,146
	<hr/>	<hr/>

11 FIXED ASSETS

	Freehold property	Leaseholds over 50 years	Leaseholds under 50 years	Plant and vehicles
Cost or valuation				
At 1 January 1980	£ 2,229,214	£ 460,000	£ 145,000	£ 189,413
Additions	81,806	-	2,432	123,259
Disposals	(105,003)	-	-	(112,675)
Inter group transfers	-	-	-	13,806
Surplus on revaluation	(81,849)	15,016	(7,432)	-
Category changes	60,452	(16)	-	(60,436)
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At 30 June 1981	2,184,620	475,000	140,000	153,367
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 January 1980	50,664	9,800	4,833	64,992
Charge for period	79,074	16,619	7,269	33,156
Withdrawn on disposals	-	-	-	(48,157)
Withdrawn on revaluation	(112,051)	(20,418)	(10,157)	-
Inter group transfers	-	-	-	5,524
Category changes	3,512	-	-	(3,512)
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At 30 June 1981	21,199	6,001	1,945	52,003
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Net book value				
At 30 June 1981	£ 2,163,421	£ 468,999	£ 138,055	£ 101,364
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Total book value

£ 2,871,839

MALLINSON-DENNY LIMITEDNOTES (continued)30 June 198111 FIXED ASSETS (continued)

Properties are stated in the preceding table at 30 June 1981 as follows:

	<u>Freehold property</u>	<u>Leaseholds over 50 years</u>	<u>Leaseholds under 50 years</u>
At valuation 1981	£ 2,184,500	£ 475,000	£ 140,000
At cost	120	-	-
	<hr/>	<hr/>	<hr/>
	<u>£ 2,184,620</u>	<u>£ 475,000</u>	<u>£ 140,000</u>

The company's properties were revalued as at 31 January 1981 by Messrs Drivers Jonas, Chartered Surveyors, on an existing use basis.

All the company's fixed assets are depreciable, except freehold land included above at £547,600 (1979 - £643,825). The main rates of depreciation used are:

Freehold buildings	2-10%
Leasehold land and buildings	2-10%, or the length of the lease, whichever is shorter
Plant and equipment	10-20%
Vehicles	20-30%

If the depreciation charge on properties had been based on the original book values before the January revaluation, it would not have been materially different from that shown above.

12 ASSOCIATED COMPANY

The associated company is James S McCarthy Limited which is unlisted and incorporated in the Republic of Ireland, and in which the company has a 25% holding. The amount in the balance sheet represents:

	<u>30 June 1981</u>	<u>31 December 1979</u>
Shares at cost	£ 250,000	£ 250,000
Group's share of retentions	(249,999)	149,995
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	<u>£ 1</u>	<u>£ 399,995</u>

The company's share of the net assets of the associated company as shown by its management accounts at 30 June 1981 was £376,840 (31 December 1979 - £1,039,956).

NOTES (continued)

30 June 1981

13 INVESTMENTS

	<u>30 June 1981</u>	<u>31 December 1979</u>
Listed investments at cost	£ 234,221	£ 234,221
Market value £285,000 (1979 - £239,400)		
Unlisted investments at cost less amounts written off	95	95
Directors' valuation £95 (1979 - £95)		
	<u>£ 234,316</u>	<u>£ 234,316</u>

Included in listed investments is a 28.5% holding in JO Walker & Co Limited, a company incorporated in England.

14 SUBSIDIARY COMPANIES

	<u>30 June 1981</u>	<u>31 December 1979</u>
Shares at underlying net asset value	£ 33,356,808	£ 31,488,056
Amounts receivable	55,063,864	48,681,901
Amounts payable	(5,387,549)	(3,361,016)
Group relief receivable/(payable)	(679,326)	62,812
	<u>£ 82,353,797</u>	<u>£ 76,871,753</u>

The company's principal subsidiaries are listed on page 13.

Consolidated accounts are not submitted because the company is itself a wholly owned subsidiary of a company incorporated in Great Britain. The directors consider that the value of the investment in the subsidiary companies is not less than the amount at which it is stated in the balance sheet.

15 INTER COMPANY ACCOUNTS

	<u>30 June 1981</u>	<u>31 December 1979</u>
Amounts due to fellow subsidiaries	<u>£ 1,967,819</u>	<u>£ -</u>

The company's ultimate parent company is Brooke Bond Liebig Limited, which is incorporated in Great Britain.

16 CAPITAL EXPENDITURE

	<u>30 June 1981</u>	<u>31 December 1979</u>
Commitments for capital expenditure	£ 102,959	£ 59,000
Expenditure authorised but not committed	55,000	3,000

MALLINSON-DENNY LIMITED

NOTES (continued)

30 June 1981

16 CONTINGENT LIABILITIES AND GUARANTEES

The company has guaranteed borrowings of forty nine of its subsidiary companies to the extent of £14,208,741 (1979 - £13,872,511).

17 TRANSACTIONS WITH DIRECTORS

Certain directors and officers are provided with company credit cards. Resulting quasi - loans which fall to be disclosed are as follows:

RTS Macpherson	£ 63
TS Mallinson	202
AP Harvey	89

18 These financial statements were approved by the board of directors on 9 October 1981.

STATEMENT OF SOURCE AND APPLICATION OF FUNDSFor the 18 months ended 30 June 1981

		Year ended 31 December 1979	
SOURCE OF FUNDS			
Profit/(loss) before taxation	£ 5,076,345	£ 9,854,657	
Depreciation	136,118	90,881	
Extraordinary items	237,753	(30,808)	
Total generated from operations	5,450,216	9,914,730	
Sale of fixed assets and investments	204,963	25,775	
Additional medium and long term loans, less repayments	1,464,632	2,281,275	
Shares issued to acquire new subsidiaries	750,000	50,000	
Proceeds of rights issue	10,676,171	-	
	£ 18,545,982	£ 12,271,780	
USE OF FUNDS			
Purchase of fixed assets and investments	£ 1,728,464	£ 591,936	
Dividends paid	2,435,072	1,815,259	
Movement in working capital	1,042,559	177,011	
Tax paid	2,020,839	997,501	
	7,226,934	3,581,707	
Movement in finance			
Bank and cash	£ 8,931,437	(7,092,553)	
Subsidiary company current accounts	4,355,430	15,782,626	
Inter group accounts	(1,967,819)	-	
	11,319,048	8,690,073	
	£ 18,545,982	£ 12,271,780	
MOVEMENT IN WORKING CAPITAL			
Debtors	£ 122,042	£(428,151)	
Creditors	(1,164,601)	251,140	
Net movement - use	£(1,042,559)	£(177,011)	

PRINCIPAL SUBSIDIARY COMPANIES

The principal subsidiary companies are as follows. Unless otherwise stated they are wholly owned and incorporated in Great Britain and registered in England.

Beverley Veneers Limited (25%)
Bonds (Mackworth) Limited
Brew & Co Limited
Denny Mott & Dickson Limited
Fitchett & Woolacott Limited
Formwood Limited
Jones-Denny Limited
Joseph Green (Timber Importers) Limited
Keith Young (Insulation Supplies) Limited
Kincraig Malden Limited (incorporated in Hong Kong)
Lawsons Timber Limited
LT & R Vowles Limited
Mallinson-Denny (Estates) Limited
Mallinson-Denny (Lydney) Limited
Mallinson-Denny (Scotland) Limited (registered in Scotland)
Mallinson-Denny (UK) Limited
Mallinson-Denny (Western) Limited
Mallinson Pty Limited (incorporated in Australia)
Mallinson Veneers Limited
Mallinson Wood Exports Limited (incorporated in Eire)
Mallinson Wood Manufacturing Limited (incorporated in Eire)
M Harrison (Kingston) Limited
NET Limited
RM Turner & Hunters Limited
Rugby Timber Supplies Limited
Thompson Eyres & Denny Mott Limited
Thompson Mahogany Co (66.7%, incorporated in United States of America)
Ulster Timber Company Limited (registered in Northern Ireland)
Whitmore's Timber Company (Claybrooke) Limited
William Mallinson & Sons (Manufacturing) Limited
William Mallinson & Sons (Sales) Limited