

**DAINTEE CHOCOLATE
CONFECTIONERY COMPANY
(BLACKPOOL) LIMITED**

Report and Financial Statements

31 March 1997



**Deloitte & Touche
Martins Buildings
4 Water Street
Liverpool
L2 8UY**

DAINTEE CHOCOLATE CONFECTIONERY COMPANY (BLACKPOOL) LIMITED

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DAINTEE CHOCOLATE CONFECTIONERY COMPANY (BLACKPOOL) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S C Kitt (Managing Director)
D E Evennett FCA
N A Beaney
J G Moxon
J O'Keefe
A M Dodson ACA

SECRETARY

A M Dodson ACA

REGISTERED OFFICE

Clifton Road
Marton
Blackpool
FY4 4QB

BANKERS

Midland Bank plc
Oxford Square
1 Newhouse Road
Blackpool
FY4 4YH

SOLICITORS

Addleshaw Booth & Co
Dennis House
Marsden Street
Manchester
M2 1JD

AUDITORS

Deloitte & Touche
Chartered Accountants
Martins Buildings
4 Water Street
Liverpool
L2 8UY

DAINTEE CHOCOLATE CONFECTIONERY COMPANY (BLACKPOOL) LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 1997.

ACTIVITIES

The company is engaged in the manufacture of confectionery.

REVIEW OF DEVELOPMENTS

The company's profit for the year is shown in the profit and loss account on page 6. The financial position of the company is shown in the balance sheet on page 7.

DIVIDENDS AND TRANSFERS FROM RESERVES

The directors do not recommend payment of a final dividend (1996 - £Nil). The retained profit for the year of £52,494 (1996 - £166,027) will be transferred to reserves.

FUTURE PROSPECTS

Despite the competitive market conditions being experienced in 1996/97, the directors consider the company well placed to develop turnover and profit in the medium term.

FIXED ASSETS

Details of movements in fixed assets are given in notes 10 and 11 to the financial statements.

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1. Mr J G Moxon was appointed as a director on 1 August 1997. Mr A Lowden resigned on 11 July 1997. All other directors served throughout the year. No director has any interest in the shares of the company.

The interests of those directors who are directors of the ultimate parent company in the shares of the ultimate parent company are disclosed in the financial statements of that company. The other directors' interests in the ordinary shares of S. K. Daintee Holdings Limited are:

	Ordinary shares		Options	
	1997	1996	1997	1996
A. M. Dodson	3,375	3,375	5,438	5,438
N. A. Beaney	-	-	8,250	8,250
J. O'Keefe	2,250	2,250	1,000	-
A. Lowden	2,250	2,250	-	-

DONATIONS

During the year the company made the following donations:

Charitable purposes £1,776 (1996- £1,277)

The Conservative Party £1,500 (1996 - £nil)

DAINTEE CHOCOLATE CONFECTIONERY COMPANY (BLACKPOOL) LIMITED

DIRECTORS' REPORT (continued)

AUDITORS

Deloitte & Touche have expressed their willingness to remain in office and a resolution for their reappointment is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board


Secretary

18.9.97

DAINTEE CHOCOLATE CONFECTIONERY COMPANY (BLACKPOOL) 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 as at the end of the financial year 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;
- state whether applicable accounting standards have been followed;
- 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. 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.



Chartered Accountants

Deloitte & Touche
Martins Building
4 Water Street
Liverpool L2 8UY

Telephone: National 0151 236 0941
International + 44 151 236 0941
Fax (Gp. 3): 0151 236 2877

DAINTEE CHOCOLATE CONFECTIONERY COMPANY (BLACKPOOL) LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 16 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and Registered Auditors

18 September 1997

DAINTEE CHOCOLATE CONFECTIONERY COMPANY (BLACKPOOL) LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 March 1997

	Note	1997 £	1996 £
TURNOVER - continuing operations	2	13,591,966	13,475,575
Cost of sales		<u>10,157,793</u>	<u>10,431,495</u>
Gross profit		<u>3,434,173</u>	<u>3,044,080</u>
Distribution costs		920,604	997,456
Administrative expenses		1,372,068	1,453,690
Other operating income	4	<u>51,624</u>	<u>157,131</u>
		<u>2,241,048</u>	<u>2,294,015</u>
OPERATING PROFIT - continuing operations	5	<u>1,193,125</u>	<u>750,065</u>
Interest receivable and similar income	6	27,296	43,235
Interest payable and similar charges	7	<u>254,527</u>	<u>227,073</u>
		<u>227,231</u>	<u>183,838</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		965,894	566,227
Tax on profit on ordinary activities	8	<u>294,000</u>	<u>257,000</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		671,894	309,227
Dividends	9	<u>619,400</u>	<u>143,200</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		52,494	166,027
Retained profit brought forward		<u>3,284,129</u>	<u>3,118,102</u>
Retained profit carried forward		<u><u>3,336,623</u></u>	<u><u>3,284,129</u></u>

The company has no recognised gains or losses other than the profit for the year and preceding year. Accordingly no statement of total recognised gains and losses has been prepared.

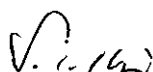
DAINTEE CHOCOLATE CONFECTIONERY COMPANY (BLACKPOOL) LIMITED

BALANCE SHEET 31 March 1997

	Note	£	1997 £	£	1996 £
FIXED ASSETS					
Tangible assets	10	3,493,655		3,687,124	
Investments	11	<u>1,135,092</u>	4,628,747	<u>1,135,092</u>	4,822,216
CURRENT ASSETS					
Stocks	12	1,207,353		1,319,551	
Debtors	13	4,847,227		4,800,337	
Investments	14	2,520		2,520	
Cash at bank and in hand		<u>1,018,583</u>		<u>352,868</u>	
		7,075,683		6,475,276	
CREDITORS: amounts falling due within one year	15	<u>5,726,523</u>		<u>4,958,209</u>	
NET CURRENT ASSETS			1,349,160		1,517,067
TOTAL ASSETS AND CURRENT ASSETS			5,977,907		6,339,283
CREDITORS: amounts falling due after more than one year					
Bank loans and overdraft	17		1,357,140		1,500,000
Obligations under finance leases	21		219,144		437,154
PROVISIONS FOR LIABILITIES AND CHARGES	18		<u>543,000</u>		<u>596,000</u>
			<u>3,858,623</u>		<u>3,806,129</u>
CAPITAL AND RESERVES					
Called up share capital	19		522,000		522,000
Profit and loss account			<u>3,336,623</u>		<u>3,284,129</u>
Shareholders' funds			<u>3,858,623</u>		<u>3,806,129</u>
Attributable to equity shareholders'			3,608,623		3,556,129
Attributable to non-equity shareholders'			<u>250,000</u>		<u>250,000</u>
			<u>3,858,623</u>		<u>3,806,129</u>

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

18.9.97



- Director

DAINTEE CHOCOLATE CONFECTIONERY COMPANY (BLACKPOOL) LIMITED

NOTES TO THE ACCOUNTS Year ended 31 March 1997

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Tangible fixed assets are included in the financial statements at cost. Depreciation is provided at the following annual rates which are calculated to write off the assets over their estimated useful lives.

Plant and machinery	12½% reducing balance
Motor vehicles	25% reducing balance
Fixtures and fittings	15% reducing balance
Computer equipment	20% straight line

Investments

Investments held as fixed assets are stated at cost less any provision for permanent diminution in value. Those held as current assets are stated at the lower of cost and net realisable value.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Pension costs

Retirement benefits to senior employees and directors of the company are provided by money purchase schemes partially funded by contributions from the company. Such pension costs are charged to the profit and loss account as they are incurred. At the year end £8,300 (1996 £18,535) was due to the pension scheme.

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Foreign exchange

Balances due in foreign currencies have been translated using the exchange rates ruling at the year end. Transactions during the year are translated at the rates ruling at the date of the transaction.

DAINTEE CHOCOLATE CONFECTIONERY COMPANY (BLACKPOOL) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 1997

2. TURNOVER

Turnover represents sales of confectionery to third parties and group companies net of VAT and trade discounts.

	1997 £	1996 £
Geographical analysis of turnover		
United Kingdom	10,264,692	10,579,781
Other European countries	1,703,827	1,425,564
USA/Canada	981,196	774,952
Other	642,251	695,278
	<u>13,591,966</u>	<u>13,475,575</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1997 £	1996 £
Directors' emoluments	413,279	345,549
Pension contributions	4,996	3,564
	<u>418,275</u>	<u>345,549</u>
	No	No

Number of directors who:

exercised above options	1	-
are members of a money purchase pension scheme	1	4

Highest paid director's remuneration	<u>166,306</u>	<u>153,141</u>
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Average number of persons employed

Production	172	148
Sales and distribution	24	22
Administration	15	14
	<u>211</u>	<u>184</u>

DAINTEE CHOCOLATE CONFECTIONERY COMPANY (BLACKPOOL) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 1997

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	1997 £	1996 £
Employee costs during the year (including directors)		
Wages and salaries	2,427,373	2,281,116
Social security costs	488,165	460,400
Other pension costs	86,861	81,291
	<u>3,002,399</u>	<u>2,822,807</u>

4. OTHER OPERATING INCOME

	1997 £	1996 £
Currency gains	33,543	125,979
Other income	18,081	31,152
	<u>51,624</u>	<u>157,131</u>

5. OPERATING PROFIT

	1997 £	1996 £
Operating profit is after charging:		
Depreciation:		
Owned assets	423,583	395,188
Assets held under finance leases	137,399	133,671
Loss on disposal of fixed assets	577	2,444
Operating lease charges	36,096	34,542
Auditors' remuneration	17,000	16,000
- audit fees		
- non audit fees	-	-
	<u>-</u>	<u>-</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	1997 £	1996 £
Interest receivable from group companies	26,217	32,722
Other interest receivable	225	9,950
Other income from listed investments	854	563
	<u>27,296</u>	<u>43,235</u>

DAINTEE CHOCOLATE CONFECTIONERY COMPANY (BLACKPOOL) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 1997

7. INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £	1996 £
Bank loans and overdrafts	204,868	168,297
Bank charges	7,195	12,132
Other interest charges	888	-
Finance interest	41,576	46,644
	<u>254,527</u>	<u>227,073</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £	1996 £
United Kingdom corporation tax at 33% (1996 - 33%) based on the profit for the year	347,000	245,000
Deferred taxation	(53,000)	12,000
	<u>294,000</u>	<u>257,000</u>

9. DIVIDENDS

	1997 £	1996 £
Paid		
Preference shares - non equity 8.4% preference shares	21,000	-
Ordinary shares - equity £1 shares at 220p per share (1996 £1 shares at 45p per share)	598,400	122,200
	<u>619,400</u>	<u>122,200</u>
Proposed		
Preference shares - non equity 8.4% preference shares	-	21,000
Ordinary shares - equity £1 shares at £nil per share (1995 - £1)	-	-
	<u>-</u>	<u>21,000</u>
Total dividends	<u>619,400</u>	<u>143,200</u>

DAINTEE CHOCOLATE CONFECTIONERY COMPANY (BLACKPOOL) LIMITED

NOTES TO THE ACCOUNTS Year ended 31 March 1997

10. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings and computer equipment £	Motor vehicles £	Total £
Cost				
At 1 April 1996	5,973,999	522,185	530,507	7,026,692
Additions	276,770	80,745	-	357,515
Transfer from fellow subsidiary	-	27,816	-	27,816
Disposals	(35,137)	(4,800)	(12,940)	(52,877)
At 31 March 1997	<u>6,215,632</u>	<u>625,946</u>	<u>517,567</u>	<u>7,359,145</u>
Accumulated depreciation				
At 1 April 1996	2,924,594	161,425	253,549	3,339,568
Charge for the year	407,878	69,119	83,985	560,982
Transfer from fellow subsidiary	-	5,340	-	5,340
Disposals	(28,060)	(2,400)	(9,940)	(40,400)
At 31 March 1997	<u>3,304,412</u>	<u>233,484</u>	<u>327,594</u>	<u>3,865,490</u>
Net book value				
At 31 March 1997	<u>2,911,220</u>	<u>392,462</u>	<u>189,973</u>	<u>3,493,655</u>
At 31 March 1996	<u>3,049,405</u>	<u>360,760</u>	<u>276,959</u>	<u>3,687,124</u>

The net book value of the company's fixed assets includes £1,096,180 (1996 - £1,588,093) in respect of assets held under finance leases.

11. INVESTMENTS HELD AS FIXED ASSETS

	1997 £	1996 £
Shares in subsidiary	25,000	25,000
Loan to parent company	1,105,000	1,105,000
Other investments	5,092	5,092
	<u>1,135,092</u>	<u>1,135,092</u>

Shares in subsidiary:

Daintee Confectionery Canada Limited
(ordinary shares)

Country of incorporation	% Shares held
Canada	97.5

In the opinion of the directors the value of the shares is greater than cost.

Included in other investments are investments quoted on the UK Stock Exchange. These have been included at cost, the quoted valuation being:-

	1997 £	1996 £
Quoted investments		
Cost	5,092	5,092
Valuation	<u>12,253</u>	<u>15,917</u>

DAINTEE CHOCOLATE CONFECTIONERY COMPANY (BLACKPOOL) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 1997

12. STOCKS

	1997 £	1996 £
Raw materials and consumables	619,803	545,768
Work-in-progress	54,654	49,536
Finished goods and goods for resale	532,896	724,247
	<u>1,207,353</u>	<u>1,319,551</u>

13. DEBTORS

	1997 £	1996 £
Trade debtors	2,162,902	2,285,268
Amounts owed by fellow subsidiaries	2,531,553	2,286,987
Other debtors	68,576	121,010
Prepayments and accrued income	84,196	107,072
	<u>4,847,227</u>	<u>4,800,337</u>

14. INVESTMENTS HELD AS CURRENT ASSETS

	1997 £	1996 £
Other unquoted investment	<u>2,520</u>	<u>2,520</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Bank loans and overdrafts	2,429,596	1,594,679
Amounts owed to parent company	1,286,924	1,079,370
Amounts owed to fellow subsidiaries	-	6,040
Trade creditors	751,706	1,101,587
Obligations under finance leases and hire purchase contracts	361,458	341,953
Other creditors including taxation and social security	682,893	626,531
Accruals and deferred income	213,946	187,049
Proposed dividends	-	21,000
	<u>5,726,523</u>	<u>4,958,209</u>

DAINTEE CHOCOLATE CONFECTIONERY COMPANY (BLACKPOOL) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 1997

16. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	1997 £	1996 £
This heading includes:		
Corporation tax	201,122	215,197
Advance corporation tax	149,600	30,550
Other taxation and social security	<u>313,724</u>	<u>321,273</u>

17. BANK LOANS AND OVERDRAFTS

The bank loan is on an unsecured, five year, revolving credit facility, expiring 1 April 1998.

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Balance at 31 March 1996 £	Credited to profit and loss account £	Balance at 1 April 1997 £
Deferred taxation	<u>596,000</u>	<u>(53,000)</u>	<u>543,000</u>

The amounts of deferred taxation provided in the accounts and the amounts not provided at a tax rate of 31% (1996 - 33%) are as follows:

	Amount provided 1997 £	Amount unprovided 1997 £	Amount provided 1996 £	Amount unprovided 1996 £
Capital allowances in excess of depreciation	533,000	-	583,000	-
Other timing differences	<u>10,000</u>	<u>-</u>	<u>13,000</u>	<u>-</u>
	<u>543,000</u>	<u>-</u>	<u>596,000</u>	<u>-</u>

19. CALLED UP SHARE CAPITAL

	1997 £	1996 £
Authorised		
521,000 ordinary shares of £1 each	521,000	521,000
479,000 8.4% preference shares of £1 each	<u>479,000</u>	<u>479,000</u>
Called up, allotted and fully paid		
272,000 ordinary shares of £1 each	272,000	272,000
250,000 8.4% preference shares of £1 each	<u>250,000</u>	<u>250,000</u>
	<u>522,000</u>	<u>522,000</u>

DAINTEE CHOCOLATE CONFECTIONERY COMPANY (BLACKPOOL) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 1997

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Profit attributable to members of the company	671,894	309,227
Dividends	(619,400)	(143,200)
Net addition to shareholders' funds	52,494	166,027
Opening shareholders' funds	3,806,129	3,640,102
Closing shareholders' funds	3,858,623	3,806,129

21. FINANCIAL COMMITMENTS

	1997 £	1996 £
Capital commitments		
Contracted for but not provided	-	-
Authorised but not yet contracted for	-	-
Obligations under finance leases		
	1997 £	1996 £
Minimum lease payments due:		
Within one year	377,344	371,567
Within 2 to 5 years	222,503	457,275
	599,847	828,842
Less finance charges, allocated to future periods	19,245	49,735
	580,602	779,107
Due within one year	361,458	341,953
Due after more than one year	219,144	437,154
	580,602	779,107
Operating lease commitments	1997 £	1996 £
Lease which expire:		
within one year	21,630	29,308
within 2 to 5 years	11,856	16,392
	33,486	45,700

DAINTEE CHOCOLATE CONFECTIONERY COMPANY (BLACKPOOL) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 1997

22. CONTINGENT LIABILITIES

There is a contingent liability in respect of an unlimited multi-lateral guarantee given by the company to the bank in respect of other group companies. At 31 March 1997 the relevant borrowings amounted to £3,786,736 (1996 - £3,276,495).

23. ULTIMATE PARENT COMPANY

In the opinion of the directors the company's ultimate parent company is S K Daintee Holdings Limited, a company incorporated in Great Britain and registered in England and Wales. Copies of the group financial statements of S K Daintee Holdings Limited are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

The company has taken advantage of the exemption conferred by Section 228 of the Companies Act 1985 not to prepare group financial statements as it is a wholly owned subsidiary of a company incorporated in a member state of the EEC and is included in the consolidated financial statements of that company.

24. ULTIMATE CONTROLLING PARTY

In the opinion of the directors the ultimate controlling party is Mr S C Kitt, a director of the company.