



MERRYCHEF LIMITED

Report and Financial Statements

30 September 1997

Deloitte & Touche
Columbia Centre
Market Street
Bracknell
Berkshire
RG12 1PA



**REPORT AND FINANCIAL STATEMENTS 1997**

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REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R G Gale
R Houghton
J R Keywood
N Thorneywork
G P B Veal
S C Barker

SECRETARY

J R Keywood

REGISTERED OFFICE

Station Road West
Ash Vale
Aldershot
Hampshire
GU12 5XA

BANKERS

Bank of Scotland
144-148 High Street
Southampton
SO14 2JF

SOLICITORS

Blake Lapthorn
New Court
1 Barnes Wallis Road
Segensworth East
Fareham
Hants
PO15 5UA

AUDITORS

Deloitte & Touche
Chartered Accountants
Columbia Centre
Market Street
Bracknell
Berkshire
RG12 1PA

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 1997.

PRINCIPAL ACTIVITIES

The company's principal activity is the manufacture, supply and service of commercial microwave and microwave combination ovens.

DIRECTORS AND THEIR INTERESTS

The current directors are shown on page 1.

All directors served throughout the year with the exception of J R Keywood who was appointed on 21 November 1996 and S C Barker who was appointed on 21 July 1997.

A B Jelly and J Jelly both resigned on 20 December 1996.

No director had any interest in the shares of any group company at any time during the year, except the parent company Merrychef Holdings Limited. The holdings of the directors in the share capital of Merrychef Holdings Limited are shown in the financial statements of that company.

AUDITORS

On 20 December 1996, Duke Hayward resigned as auditors and Deloitte & Touche were appointed in their place. Deloitte & Touche have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



J R Keywood

Director

29 January 1998



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
- 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.



Chartered Accountants

Deloitte & Touche
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Market Street
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Berkshire RG12 1PA

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AUDITORS' REPORT TO THE MEMBERS OF MERRYCHEF LIMITED

We have audited the financial statements on pages 5 to 13 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 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 at 30 September 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

DELOITTE & TOUCHE

Chartered Accountants and
Registered Auditors

29 January 1998


PROFIT AND LOSS ACCOUNT
Year ended 30 September 1997

	Note	£	1997 £	£	1996 £
TURNOVER	2		6,212,727		5,176,000
Cost of sales		2,718,769		2,497,637	
Exceptional item	3	-		137,603	
			(2,718,769)		(2,635,240)
Gross profit			3,493,958		2,540,760
Administrative expenses			(1,978,173)		(1,796,419)
OPERATING PROFIT			1,515,785		744,341
Gains on disposals of short term investments			-		59,250
Interest receivable and similar income			65,651		52,554
Interest payable and similar changes	4		(185)		(806)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5		1,581,251		855,339
Tax on profit on ordinary activities	7		(575,583)		(314,354)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			1,005,668		540,985
Dividends	8		(1,175,000)		-
Retained (loss)/profit for the year			(169,332)		540,985

All amounts derive from continuing operations.

There are no recognised gains and losses for the current financial year and the preceding financial year other than as stated in the profit and loss account.


BALANCE SHEET
30 September 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Tangible assets	9	107,647	208,777
Investments	10	14,003	14,003
		<u>121,650</u>	<u>222,780</u>
CURRENT ASSETS			
Stocks	11	421,334	614,307
Debtors	12	1,488,339	1,182,039
Investments		-	202,414
Cash at bank and in hand		1,371,815	1,051,178
		<u>3,281,488</u>	<u>3,049,938</u>
CREDITORS: amounts falling due within one year	13	(1,676,852)	(1,377,100)
NET CURRENT ASSETS		<u>1,604,636</u>	<u>1,672,838</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,726,286	1,895,618
CREDITORS: amounts falling due after more than one year	14	(486,902)	(486,902)
		<u>1,239,384</u>	<u>1,408,716</u>
CAPITAL AND RESERVES			
Called up share capital	15	44,800	44,800
Capital redemption reserve		11,200	11,200
Profit and loss account	16	1,183,384	1,352,716
Equity shareholders' funds		<u>1,239,384</u>	<u>1,408,716</u>

These financial statements were approved by the Board of Directors on 29 January 1998.

Signed on behalf of the Board of Directors

R Houghton

Director



RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year ended 30 September 1997

	1997 £	1996 £
Profit for the financial year	1,005,668	540,985
Dividends	(1,175,000)	-
	<u>(169,332)</u>	<u>540,985</u>
Purchase of own shares	-	(558,800)
Transfer to capital redemption reserve	-	(11,200)
	<u>(169,332)</u>	<u>(569,999)</u>
Net decrease in shareholders' funds	(169,332)	(29,015)
Opening shareholders' funds	<u>1,408,716</u>	<u>1,437,731</u>
Closing shareholders' funds	<u><u>1,239,384</u></u>	<u><u>1,408,716</u></u>



NOTES TO THE ACCOUNTS
Year ended 30 September 1997

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Depreciation

Depreciation is provided on a straight line basis to write off the cost of tangible fixed assets over their estimated useful lives, at the following rates:

Short leasehold buildings	-	over the lives of the relevant leases
Fixtures, fittings, tools and equipment	-	between 15% and 25%
Plant and machinery	-	between 10% and 50%

Leases

Operating lease costs are charged to the profit and loss account in the period in which they are incurred.

Turnover

Turnover represents the value of sales invoiced to customers, less value added tax. Income from the hire of plant and equipment is accounted for over the rental period.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost consists of direct material, labour and, where appropriate, works overheads.

Research and development

Expenditure on research and development is written off as incurred.

Deferred taxation

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

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Pension costs

The company provides pensions through three defined contribution schemes. Contributions are made to the group personal pension plan by the company at rates specified by the company. All members receive their own individual benefit statements. Payments to the fund are charged to the profit and loss account as they are made.


NOTES TO THE ACCOUNTS
Year ended 30 September 1997
2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties, and is attributable to the continuing activities.

Geographical analysis of turnover

	1997	1996
	£	£
United Kingdom	5,969,305	4,973,198
Other European countries	243,422	202,802
	<u>6,212,727</u>	<u>5,176,000</u>

3. EXCEPTIONAL ITEM

The exceptional item in 1996 relates to costs in connection with the surrender of a lease of business premises.

4. INTEREST PAYABLE

All interest payable is in respect of bank loans, overdrafts and other loans repayable within five years.

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1997	1996
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	66,374	84,128
Hire of plant and machinery	-	1,309
Loss/(profit) on sale of fixed assets	14,310	(10,564)
Operating lease rentals	172,049	308,645
Auditors' remuneration - audit fees	10,750	7,500
- other services	4,250	-
	<u>277,733</u>	<u>400,018</u>

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1997	1996
	£	£
Staff costs during the year (including directors)		
Wages and salaries	1,329,603	1,428,005
Social security costs	119,828	127,147
Other pension costs	38,650	69,331
	<u>1,488,081</u>	<u>1,624,483</u>

The average number of employees during the year was as follows:

	No.	No.
Production	23	22
Office management	44	47
	<u>67</u>	<u>69</u>


NOTES TO THE ACCOUNTS
Year ended 30 September 1997
6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

	1997 £	1996 £
Directors		
Emoluments	406,274	375,499
Contributions to money purchase pension schemes	20,895	19,313
	<u>1997</u>	<u>1996</u>
	No.	No.
Number of directors who are members of a money purchase pension scheme	6	6
	<u>1997</u>	<u>1996</u>
	£	£
Highest paid directors remuneration		
Emoluments	88,429	127,171
Contributions to money purchase pension schemes	3,507	12,000

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £	1996 £
UK corporation tax at 32% (1996 - 33%)	254,797	313,471
Group relief	320,786	843
Tax attributable to franked investment income	-	40
	<u>575,583</u>	<u>314,354</u>

The disproportionate tax charge is due to the existence of a deferred tax asset which is not recognised in accordance with SSAP 15 and due to items in the profit and loss account that are permanently disallowable for corporation tax purposes.

8. DIVIDENDS

	1997 £	1996 £
Ordinary dividends paid on equity shares	<u>1,175,000</u>	<u>-</u>


NOTES TO THE ACCOUNTS
Year ended 30 September 1997
9. TANGIBLE FIXED ASSETS

	Short leasehold land and buildings £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
Cost				
At 1 October 1996	19,651	176,034	233,001	428,686
Additions	-	5,660	20,422	26,082
Disposals	(19,651)	(499)	(58,894)	(79,044)
At 30 September 1997	-	181,195	194,529	375,724
Depreciation				
At 1 October 1996	10,336	97,303	112,270	219,909
Charge for the year	132	24,083	42,159	66,374
Disposals	(10,468)	(258)	(7,480)	(18,206)
At 30 September 1997	-	121,128	146,949	268,077
Net book value				
At 30 September 1997	-	60,067	47,580	107,647
At 30 September 1996	9,315	78,731	120,731	208,777

10. INVESTMENTS HELD AS FIXED ASSETS

	£
Cost of investment in subsidiary undertakings: At 1 October 1996 and 30 September 1997	14,003

The following information relates to subsidiary undertakings, all of which are registered in England and are dormant.

	Portion of ordinary shares held %
Magnetising Techniques Ltd	100
Mealstream (UK) Limited	100
Pumpcroft Limited	100
Twilight Bond Limited	100

The shares in Magnetising Techniques Limited are held by Pumpcroft Limited.

These financial statements present information about Merrychef Limited as an individual undertaking. The subsidiaries are not consolidated on the grounds that the results of the whole group are included within the financial statements of Merrychef Holdings Limited, the ultimate parent company.



NOTES TO THE ACCOUNTS
Year ended 30 September 1997

11. STOCKS

	1997 £	1996 £
Raw materials and consumables	251,277	455,250
Work in progress	3,283	23,345
Finished goods and goods held for resale	166,774	135,712
	<u>421,334</u>	<u>614,307</u>

12. DEBTORS

	1997 £	1996 £
Trade debtors	1,285,349	1,097,976
Other debtors	117,482	9,635
Amounts due from subsidiary undertakings	31,308	47,265
Prepayments and accrued income	54,200	27,163
	<u>1,488,339</u>	<u>1,182,039</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Trade creditors	625,825	488,306
Amounts owed to parent company	22,837	-
Corporation tax	95,535	313,005
Other taxes and social security costs	255,631	176,757
Accruals and deferred income	356,238	237,474
Group relief	320,786	-
	<u>1,676,852</u>	<u>1,377,100</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1997 £	1996 £
Amounts owed to subsidiary undertakings	<u>486,902</u>	<u>486,902</u>


NOTES TO THE ACCOUNTS
Year ended 30 September 1997
15. CALLED UP SHARE CAPITAL

	1997	1996
	£	£
Authorised, allotted and fully paid ordinary shares of £1 each	<u>44,800</u>	<u>44,800</u>

16. PROFIT AND LOSS ACCOUNT

	£
At 1 October 1996	1,352,716
Retained loss for the year	(169,332)
At 30 September 1997	<u>1,183,384</u>

17. OPERATING LEASE COMMITMENTS

At 30 September 1997 the company was committed to making the following payments during the next year in respect of operating leases.

	1997
	£
Leases which expire:	
Within one year	-
Within two to five years	2,366
After five years	111,239
	<u>113,605</u>

18. RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard No. 8 "Related Party Transactions", transactions with other group undertakings within, and investee related parties of, the Merrychef group have not been disclosed in these financial statements.

19. ULTIMATE PARENT COMPANY

The parent company is Elvadene Limited. The ultimate parent company and controlling party is Merrychef Holdings Limited, a company registered in England and Wales. The group financial statements of Merrychef Holdings Limited, which consolidate the results of Merrychef Limited, can be obtained from Merrychef Holdings Limited, Station Road West, Ash Vale, Aldershot, Hampshire GU12 5XA.