

H ERBEN LIMITED
FINANCIAL STATEMENTS
FOR
31 DECEMBER 2002



Company Registration Number 538781

ENSORS
Chartered Accountants & Registered Auditors
46 St Nicholas Street
IPSWICH
IP1 1TT

H ERBEN LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2002

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was the supply of goods and services to the food and drinks and healthcare industries.

The Board of H Erben Limited is pleased by the profit shown for 2002. This is a very pleasing reflection of the conscious efforts made to reduce overheads where possible as well as focusing strictly on profitable business.

The Board is committed further to increasing the profit for 2003 by increasing company sales.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

DIRECTORS

The directors who served the company during the year were as follows:

J F Kent
S E Shand-Brown
Mr A Erben

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

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 at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 7 to 8, and then apply them consistently;

make judgements and estimates that are reasonable and prudent; and

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. The directors 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.

H ERBEN LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2002

AUDITORS

A resolution to re-appoint Ensors as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed by order of the directors



J BAALHAM
Company Secretary

Approved by the directors on 4th August 2003

H ERBEN LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 DECEMBER 2002

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 8.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards are set out in the Statement of Directors' Responsibilities on page 1.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom 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.

H ERBEN LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS *(continued)*

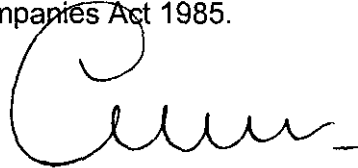
YEAR ENDED 31 DECEMBER 2002

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

46 St Nicholas Street
IPSWICH
IP1 1TT

5th August 2003



ENSORS
Chartered Accountants
& Registered Auditors

H ERBEN LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2002

	Note	2002 £	2001 £
TURNOVER	2	3,638,965	3,958,907
Cost of sales		<u>2,790,707</u>	<u>3,073,939</u>
GROSS PROFIT		848,258	884,968
Administrative expenses		<u>701,264</u>	<u>879,275</u>
OPERATING PROFIT	3	146,994	5,693
Interest receivable		7,798	5,693
Interest payable and similar charges	6	<u>(50,373)</u>	<u>(56,544)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		104,419	(45,158)
Tax on profit/(loss) on ordinary activities	7	<u>2,672</u>	<u>(16,502)</u>
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		101,747	(28,656)
Balance brought forward		<u>(71,898)</u>	<u>(43,242)</u>
Balance carried forward		<u>29,849</u>	<u>(71,898)</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 7 to 16 form part of these financial statements.

H ERBEN LIMITED

BALANCE SHEET

31 DECEMBER 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	8	<u>72,367</u>	<u>56,321</u>
CURRENT ASSETS			
Stocks	9	325,341	424,554
Debtors	10	1,300,047	1,308,164
Cash in hand		<u>1,562</u>	<u>327</u>
		<u>1,626,950</u>	<u>1,733,045</u>
CREDITORS: Amounts falling due within one year	12	<u>1,139,002</u>	<u>1,349,515</u>
NET CURRENT ASSETS		<u>487,948</u>	<u>383,530</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>560,315</u>	<u>439,851</u>
CREDITORS: Amounts falling due after more than one year	13	<u>30,466</u>	<u>11,749</u>
		<u>529,849</u>	<u>428,102</u>
CAPITAL AND RESERVES			
Called-up equity share capital	19	500,000	500,000
Profit and loss account		<u>29,849</u>	<u>(71,898)</u>
SHAREHOLDERS' FUNDS	20	<u>529,849</u>	<u>428,102</u>

These financial statements were approved by the directors on the 4th August 2003 and are signed on their behalf by:


S E SHAND-BROWN


MR A ERBEN

The notes on pages 7 to 16 form part of these financial statements.

H ERBEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

Turnover represents the amounts invoiced to third parties in respect of goods sold and services provided excluding value added tax.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leased fixed assets	- straight line over the term of the lease
Plant, furniture and equipment	- 20% straight line
Motor vehicles	- 33.33% reducing balance
Computers purchased to 31 December 1997	- 20% straight line
Computers purchased from 1 January 1998	- 33.33% straight line

Stocks

Stocks are valued at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows:

Raw materials, consumables and goods for resale	- purchase cost on a first-in, first-out basis
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. When losses are anticipated full provision is made.

H ERBEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

1. ACCOUNTING POLICIES *(continued)*

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

Employer's pension contributions are charges against profits on a systematic basis over the service lives of the employees in the scheme. Variations from the normal cost are being charged to the profit and loss account in the period they are paid to the pension scheme.

The company also operates a defined contribution pension arrangement for employees. The assets are held in individual employees personal pension plans which are administered by the company's independent pension advisers. The annual contributions payable are charged to the profit and loss account in the period to which they relate.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

H ERBEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2002 £	2001 £
United Kingdom	2,745,101	3,255,611
Europe	518,542	506,009
Rest of World	375,322	197,287
	<u>3,638,965</u>	<u>3,958,907</u>

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2002 £	2001 £
Depreciation of owned fixed assets	22,397	24,749
Depreciation of assets held under hire purchase agreements	13,307	7,692
Profit on disposal of fixed assets	(325)	(2,609)
Auditors' remuneration (see below)	12,000	11,000
Hire of plant and machinery - operating leases	—	5,393
Hire of other assets - operating leases	23,436	23,000
Exchange differences	<u>27,240</u>	<u>33,232</u>

Auditors' fees

The fees charged by the auditors can be further analysed under the following headings for services rendered:

	2002 £	2001 £
Audit Remuneration - as auditors	7,000	7,000
Audit Remuneration - other services	5,000	4,000
	<u>12,000</u>	<u>11,000</u>

H ERBEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2002 No	2001 No
Engineering	-	1
Sales and Management	17	16
	<u>17</u>	<u>17</u>

The aggregate payroll costs of the above were:

	2002 £	2001 £
Wages and salaries	328,127	334,493
Social security costs	32,766	27,098
Other pension costs	10,884	107,490
	<u>371,777</u>	<u>469,081</u>

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2002 £	2001 £
Emoluments receivable	69,047	87,777
Value of company pension contributions to money purchase schemes	1,950	3,195
	<u>70,997</u>	<u>90,972</u>

The number of directors who are accruing benefits under company pension schemes was as follows:

	2002 No	2001 No
Money purchase schemes	2	2
Defined benefit schemes	-	1

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
Interest payable on bank borrowing	31,949	36,711
Finance charges	3,522	1,578
Other similar charges payable	14,902	18,255
	<u>50,373</u>	<u>56,544</u>

H ERBEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2002 £	2001 £
Current tax:		
UK Corporation tax based on the results for the year at 19% (2001 - 20%)	1,243	—
Over/under provision in prior year	17	(1,333)
	<u>1,260</u>	<u>(1,333)</u>
Losses carried back	—	(7,508)
Total current tax	<u>1,260</u>	<u>(8,841)</u>
Deferred tax:		
Increase/(decrease) in deferred tax provision	1,412	(7,661)
Tax on profit/(loss) on ordinary activities	<u>2,672</u>	<u>(16,502)</u>

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2001 - 20%).

	2002 £	2001 £
Profit/(loss) on ordinary activities before taxation	<u>104,419</u>	<u>(45,158)</u>
Profit/(loss) on ordinary activities by rate of tax	19,840	(9,032)
Expenses not deductible for tax purposes	2,714	2,775
Capital allowances in excess of depreciation	242	(2,380)
Pension contributions (paid)/accrued in year	(1,034)	1,088
Effect of small marginal relief and rate changes	(95)	—
Utilisation of tax losses	(19,550)	—
Other changes	(874)	—
Losses carried forward	—	41
Over/(under) provision for previous years	17	(1,333)
Total current tax (note 7(a))	<u>1,260</u>	<u>(8,841)</u>

H ERBEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

8. TANGIBLE FIXED ASSETS

	Leasehold Property £	Plant & Machinery £	Motor Vehicles £	Total £
COST				
At 1 January 2002	28,323	469,392	62,017	559,732
Additions	—	5,436	41,746	47,182
Disposals	—	—	(21,217)	(21,217)
Transfers	—	—	62,951	62,951
At 31 December 2002	28,323	474,828	145,497	648,648
DEPRECIATION				
At 1 January 2002	17,936	457,314	28,161	503,411
Charge for the year	10,387	7,007	18,310	35,704
On disposals	—	—	(17,942)	(17,942)
Transfer	—	—	55,108	55,108
At 31 December 2002	28,323	464,321	83,637	576,281
NET BOOK VALUE				
At 31 December 2002	—	10,507	61,860	72,367
At 31 December 2001	10,387	12,078	33,856	56,321

Hire purchase agreements

Included within the net book value of £72,367 is £53,536 (2001 - £29,675) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £13,307 (2001 - £7,692).

9. STOCKS

	2002 £	2001 £
Work in progress	94,692	188,476
Finished goods	260,546	325,709
Payments on account	(29,897)	(89,631)
	325,341	424,554

H ERBEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

10. DEBTORS

	2002	2001
	£	£
Trade debtors	671,054	659,516
Amounts owed by group undertakings	598,662	587,762
Corporation tax repayable	—	20,891
Other debtors	5,340	19,714
Prepayments and accrued income	18,742	12,620
Deferred taxation (note 11)	6,249	7,661
	<u>1,300,047</u>	<u>1,308,164</u>

The debtors above include the following amounts falling due after more than one year:

	2002	2001
	£	£
Deferred tax provision	<u>6,249</u>	<u>7,661</u>

11. DEFERRED TAXATION

	2002	2001
	£	£
The movement in the deferred taxation account during the year was:		
Balance brought forward	(7,661)	—
Profit and loss account movement arising during the year	<u>1,412</u>	<u>(7,661)</u>
Balance carried forward	<u>(6,249)</u>	<u>(7,661)</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2002	2001
	£	£
Excess of taxation allowances over depreciation on fixed assets	6,249	6,573
Other timing differences	<u>—</u>	<u>1,088</u>
	<u>6,249</u>	<u>7,661</u>

In addition to the above the company has trading losses of £485,331 (2001:£588,224) carried forward.

H ERBEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

12. CREDITORS: Amounts falling due within one year

	2002 £	2001 £
Bank loans and overdrafts	180,968	100,326
Payments received on account	7,660	58,131
Trade creditors	497,993	606,970
Bills of exchange payable	11,762	136,249
Amounts owed to group undertakings	261,290	243,379
Corporation tax	1,243	—
Other taxation and social security	103,843	160,285
Hire purchase agreements	24,751	14,343
Other creditors	49,492	29,832
	<u>1,139,002</u>	<u>1,349,515</u>

The bank overdraft is secured by fixed and floating charges over the assets of the company.

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

	2002 £	2001 £
Other creditors:		
Hire purchase agreements	<u>30,466</u>	<u>11,749</u>

14. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	2002 £	2001 £
Amounts payable within 1 year	24,751	14,343
Amounts payable between 1 and 2 years	17,917	8,569
Amounts payable between 3 and 5 years	12,549	3,180
	<u>55,217</u>	<u>26,092</u>

H ERBEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

15. PENSIONS

Defined contribution scheme

The company operates a defined contribution pension arrangement for employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £9,320 (2001:£6,642).

Defined benefit scheme

The company operates a defined benefit pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested in an insured contract with Norwich Union. The normal pension contributions are determined by a qualified actuary on the basis of triennial valuations using the projected liability unit method. The most recent valuation was at 11 April 2001.

The pension charge for the year was £1,564 (2001: 100,848). This included nil (2001:£80,000) in respect of special contributions towards the pension scheme deficit (see below)

The most recent actuarial valuation at 11 April 2001, showed that the market value of the scheme's assets was £2,476,225 and that the actuarial value of those assets represented 90% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The scheme commenced winding up with effect from 11 April 2001. Benefits for active members ceased to accrue with effect from this date. The scheme's assets and liabilities are valued in accordance with Section 75(5) of the Pensions Act 1995, the Occupational Pension Schemes (deficiency on Winding Up etc) Regulations 1996 and the guidelines on winding up and scheme asset deficiency (GN19) and on minimum funding requirement (GN27), prepared and published by the Institute of Actuaries and the Faculty of Actuaries (so far as those guidelines are applicable).

The winding up process would last between 2 and 7 years from 11 April 2001. The final certified deficit of scheme is £282,731. As at 31 December 2002 the deficit was £202,731 (2001:£202,731.)

16. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	2002	2001
	£	£
Operating leases which expire:		
Within 2 to 5 years	<u>25,000</u>	<u>25,000</u>

H ERBEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

The assets of the company are charged by way of fixed and floating charges to the company's bankers as security for facilities provided.

Amounts outstanding at 31 December 2002, after set offs, and including a cross guarantee to the bankers of its holding company, totalled £262,401 (2001: £100,450).

At the balance sheet date the company had indemnified its bankers against bonds and indemnities provided by them amounting to £10,000 (2001: £10,000).

18. RELATED PARTY TRANSACTIONS

Due to the fact that the subsidiary companies are included in the consolidated accounts, exemption is taken of the FRS8 regulations to disclose transactions and balances with group companies.

19. SHARE CAPITAL

Authorised share capital:

	2002 £	2001 £
500,000 Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>

Allotted, called up and fully paid:

	2002		2001	
	No	£	No	£
Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit/(Loss) for the financial year	101,747	(28,656)
Opening shareholders' equity funds	428,102	456,758
Closing shareholders' equity funds	<u>529,849</u>	<u>428,102</u>

21. ULTIMATE PARENT COMPANY

The ultimate parent company is H Erben Holdings Limited.