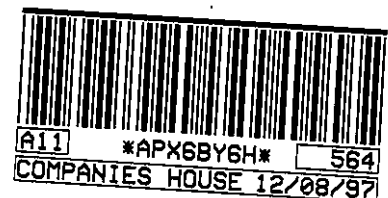


CULLEN'S HOLDINGS PLC

**DIRECTORS' REPORT AND ACCOUNTS
FOR THE FIFTY-THREE WEEKS ENDED
2nd MARCH 1997**



REGISTRATION NUMBER 1790528

CULLEN'S HOLDINGS PLC

ANNUAL REPORT 1997

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CULLEN'S HOLDINGS PLC

DIRECTORS' REPORT

The directors present their report and financial statements for the fifty-three weeks ended 2nd March 1997.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the group continues to be retailing of groceries, wines and spirits, with particular emphasis on quality goods and fresh foods. A review of the trading performance and current and future developments is given in the Chairman's Statement.

RESULTS AND DIVIDENDS

The loss for the period after taxation amounted to £494,000 (1996 - profit £313,000) and is dealt with as shown in note 20 to the financial statements.

No dividends have been paid in respect of the period and none are proposed.

TANGIBLE FIXED ASSETS

Movements in tangible assets are set out in note 12 to the financial statements. In the opinion of the directors the values of the group's land and buildings as included in the financial statements are not materially different from current market values.

DIRECTORS

The directors who currently hold office are, and those who served during the period were:

Hon R A Rayne	P Matthews
P M Shirley	M G Chambers

Full details of the directors' interests are set out in note 7 to the financial statements.

SUBSTANTIAL SHAREHOLDINGS

The directors have been advised that at 19th May 1997 the following were interested in 3% or more of the company's issued share capital:

	Number of shares	% issued shares
Westpool Investment Trust plc	5,242,500	19.8
Perpetual Unit Trust Mgmt Ltd	2,300,000	8.7
Forester Life Limited	2,250,000	8.5
P Matthews	2,231,913	8.4
Hon R A Rayne	1,000,000	3.8

CULLEN'S HOLDINGS PLC

DIRECTORS' REPORT (CONTINUED)

DONATIONS

During the period no charitable or political contributions were made by the group.

CREDITORS PAYMENT POLICY

It is the group's policy to agree terms of business with suppliers prior to the supply of goods or services. In the absence of any dispute, the group pays in accordance with these agreed terms.

CORPORATE GOVERNANCE

The company complied throughout the accounting period with the provisions of the Cadbury Code of Best Practice, other than the number of members of the audit committee which comprises the only two non-executive directors. The directors consider that the current number of the executives and non-executives is adequate and appropriate to the group's level of activities.

The following committees deal with specific aspects of the group's affairs:

The audit committee receives and reviews reports from management and from the auditors relating to the internal and annual accounts and the accounting and internal control systems in use throughout the group.

The remuneration committee keeps under review the remuneration packages of the executive directors and the terms of their service contracts.

INTERNAL FINANCIAL CONTROL

The directors are responsible for, and have reviewed the effectiveness of, the group's system of internal financial control. Any such system can provide reasonable but not absolute assurance against material misstatement or loss. In order to discharge that responsibility in a manner which promotes effective and efficient operations, the directors have established an organisational structure with clear operating procedures, lines of responsibility, and delegated authority.

In particular there are clear procedures for:

- capital investment, with detailed appraisal, authorisation and post investment review;
- financial reporting, within a comprehensive financial planning and accounting framework;
- monitoring of business risks identified and reported to the board and audit committee.

GOING CONCERN

The directors have reviewed the group's 1997 budget and medium term plans and have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

CULLEN'S HOLDINGS PLC

DIRECTORS' REPORT (CONTINUED)

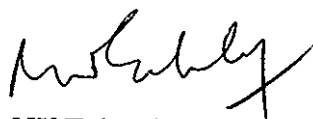
AUDITORS

A resolution proposing the re-appointment of Ernst & Young as auditors will be submitted at the Annual General Meeting.

CREST

A new settlement system, 'CREST', for dealings in company shares has been developed to replace the current system. Under this system it will be possible for shareholders to hold and transfer shares in electronic form rather than on paper as at present. Shareholders may continue to hold shares in paper form if they so wish. The directors confirm that the company entered the CREST system on 7th April 1997.

By order of the board



M W Eckersley
Secretary

19th May 1997

REPORT OF THE REMUNERATION COMMITTEE

The members of the remuneration committee, both of whom are non-executive directors, are Hon R A Rayne (Chairman) and P M Shirley. The committee is responsible for determining the remuneration and conditions of employment of the executive directors. The fees of the non-executive directors are set by the board as a whole. The committee has complied with, and given full consideration to, sections A and B of the best practice provisions annexed to the Listing Rules.

POLICY

In determining appropriate levels of remuneration for the executive directors, the committee aims to provide packages that are competitive in the market place and will attract and retain high quality executives capable of achieving the group's objectives. Proposals for the forthcoming year are then discussed taking account of the group's growth prospects. The committee is kept informed of the salary levels of all senior executives employed by the group.

INDIVIDUAL COMPONENTS OF REMUNERATION

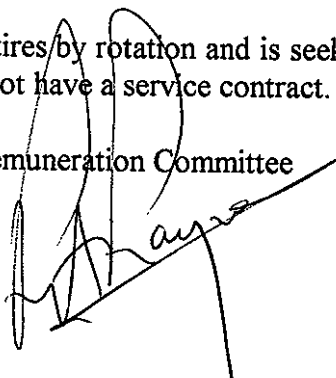
A detailed analysis of directors' remuneration appears in note 6 to the financial statements

- a) **Basic Salary:** The salary of individual directors is reviewed at 1st April each year. Account is taken of the performance of the individual concerned, together with any change in responsibilities that may have occurred.
- b) **Performance related bonus:** A discretionary bonus scheme for the executive directors was first introduced in 1995, payments being conditional on the achievement of budgeted earnings per share (EPS) on a graduated basis. For 1996, the committee set the maximum payable at 20% of basic salary ranging down to a 10% reduction of basic salary in the event of under achievement.
- c) **Other Benefits:** Executive directors receive a fully expensed car and private health insurance.
- d) **Pensions:** Executive directors are entitled to receive payment of a fixed percentage of salary into an approved personal pension scheme at the discretion of the remuneration committee.
- e) **Share Options:** The committee has awarded options to directors under its executive share option scheme. Details of the awards made are shown in note 7 to the financial statements.
- f) **Notice Period:** The service contract for P Matthews provides for a two year notice period from December. The committee considers this to be in the best interests of the company and in line with current practice among companies of comparable size.

Hon R A Rayne retires by rotation and is seeking re-election at the forthcoming annual general meeting and does not have a service contract.

On behalf of the Remuneration Committee

Hon R A Rayne
19th May 1997



CULLEN'S HOLDINGS PLC

DIRECTORS' BIOGRAPHIES AND ADVISERS

Hon Robert Rayne, aged 48, Non-Executive Chairman, has been a director since 1985 and was appointed Chairman in 1990. Other directorships include Westpool Investment Trust plc, London Merchant Securities plc, First Leisure Corporation plc, EVI Inc. and Golden Rose Communications plc.

Peter Matthews, aged 54, Chief Executive and Managing Director, has been a director since 1984 when he originated the floating of the Company. Previously he held various executive directorships within the retail, leisure and brewing activities of the Imperial Group.

Peter Shirley, aged 53, Non-Executive Director, was appointed a director in 1991. He is a JP and formerly a partner in the city firm of Herbert Smith from 1973 to 1987. Other directorships include Fii Group Pension Trustees Limited and Home Housing Association.

Michael Chambers, aged 60, Property Development Director, was appointed a director in 1992. He has experience of property and franchising and previous directorships include Property and Franchise Sales Director of Wimpy International and Property Director at United Biscuits Restaurants.

Board of Directors

Hon R A Rayne (Chairman)*

M G Chambers

P Matthews

P M Shirley*

**Non Executive*

Secretary

M W Eckersley

Registrars

Lloyds Bank Plc

Registered Office

248 Chiswick High Road
London, W4 1PD

Bankers

Barclays Bank PLC

Solicitors

Herbert Smith
Peters & Company

Audit Committee

P M Shirley (Chairman)

Hon R A Rayne

Registration No

1790528

Auditors

Ernst & Young

Brokers

Panmure Gordon & Co. Ltd

Remuneration Committee

Hon R A Rayne (Chairman)

P M Shirley

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
FINANCIAL STATEMENTS**

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 group and of the profit and loss of the group 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, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group 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 group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CULLEN'S HOLDINGS PLC

REPORT OF THE AUDITORS TO THE MEMBERS OF CULLEN'S HOLDINGS PLC

We have audited the financial statements on pages 9 to 26 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 to 10.

Respective responsibilities of directors and auditors

As described on page 6, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial 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 accounts. 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 group'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 affairs of the company and of the group as at 2nd March 1997 and of the loss of the group for the fifty-three weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

On corporate governance matters

In addition to our audit of the financial statements we have reviewed the director's statement on page 2 on the company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to any non-compliance with Listing Rules 12.43(j) and 12.43(v).

We carried out our review in accordance with guidance issued by the Auditing Practices Board, and assessed whether the directors' statements on going concern and internal financial control are consistent with the information of which we are aware from our audit. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of, either the group's system of internal financial control or its corporate governance procedures nor on the ability of the group to continue in operational existence.

CULLEN'S HOLDINGS PLC

REPORT OF THE AUDITORS TO THE MEMBERS OF CULLEN'S HOLDINGS PLC (CONTINUED)

Opinion

With respect to the directors' statements on internal financial control and going concern on page 2, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are consistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on page 2 appropriately reflects the company's compliance with the other paragraphs of the Code specified for our review by Listing Rule 12.43(j).



ERNST & YOUNG
Chartered Accountants
Registered Auditor
London
19th May 1997

CULLEN'S HOLDINGS PLC

ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards. The group accounts consolidate the accounts of Cullen's Holdings plc and its only trading subsidiary, Cullen's Stores plc.

2. DEPRECIATION

The rates of depreciation applied to tangible fixed assets are calculated to write off their cost or valuation on a straight line basis over their estimated useful lives. The rates of depreciation are as follows:

Freehold property	Nil
Long leasehold property	50 years
Short leasehold property	The period of the lease
Plant and fixtures	Varying rates of between 3 and 10 years
Motor vehicles	3-4 years

No depreciation is provided in respect of freehold property as it is considered that the lives and residual values, based on prices ruling at the date of acquisition, are such that any depreciation would be immaterial. Any permanent diminutions in value below cost of such properties are charged to the profit and loss account.

3. STOCKS

Stocks are stated at the lower of cost and net realisable value and comprise primarily goods for resale.

4. DEFERRED TAXATION

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Advance corporation tax which is expected to be recoverable is deducted from the deferred taxation balance.

5. NET PROFIT ON SALE OF FRANCHISES AND LICENCES

Profits and losses deriving from the sale of franchises, and income from the sale of licences, are considered to be part of the ordinary activities of the group. The net profits on sales of franchises are arrived at by writing off, in full, the net book value of the relevant short lease, plant, fixtures and equipment, against the net proceeds from the sale of the franchise.

CULLEN'S HOLDINGS PLC

ACCOUNTING POLICIES (CONTINUED)

6. OPERATING LEASES

Rentals in respect of operating leases are charged to profit and loss account on a straight line basis over the term of the lease.

7. FINANCE LEASES

Assets held under finance leases, which are those where substantially all the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

8. PENSIONS

Contributions to defined contribution schemes are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

CULLEN'S HOLDINGS PLC

GROUP PROFIT AND LOSS ACCOUNT FOR THE FIFTY-THREE WEEKS ENDED 2ND MARCH 1997

	Notes	1997 £000	1996 £000
TURNOVER	1	11,033	6,076
Cost of sales		10,645	5,087
GROSS PROFIT		388	989
Administrative expenses		(1,197)	(970)
Other operating income	2	322	245
OPERATING (LOSS)/PROFIT		(487)	264
Exceptional items	3	(9)	99
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		(496)	363
Interest (net)	4	2	(2)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(494)	361
Taxation	9	-	48
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	20	(494)	313
Dividend	10	-	132
RETAINED (LOSS)/PROFIT FOR THE PERIOD		(494)	181
(LOSS)/EARNINGS PER SHARE	11	(1.87p)	1.19p

Movements on reserves are shown in note 20 to the financial statements.

There are no gains or losses to be recognised other than the retained loss/profit for the period.

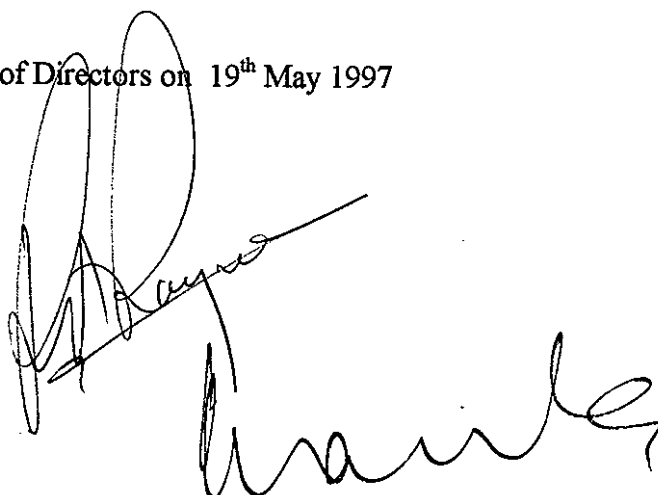
CULLEN'S HOLDINGS PLC

GROUP BALANCE SHEET AS AT 2ND MARCH 1997

	Notes	1997 £000	1996 £000
FIXED ASSETS			
Tangible assets	12	3,851	4,057
CURRENT ASSETS			
Stocks	14	247	155
Debtors	15	1,132	1,785
Cash at bank and in hand		261	20
		1,640	1,960
CREDITORS - amounts falling due within one year			
	16	1,471	1,340
NET CURRENT ASSETS			
		169	620
TOTAL ASSETS LESS CURRENT LIABILITIES			
		4,020	4,677
CREDITORS - amounts falling due after more than one year			
	17	207	370
NET ASSETS			
		3,813	4,307
CAPITAL AND RESERVES			
Called-up share capital	19	2,643	2,643
Share premium account	20	902	902
Profit and loss account	20	268	762
SHAREHOLDERS' FUNDS			
		3,813	4,307

Approved by the Board of Directors on 19th May 1997

HON R A RAYNE
P MATTHEWS
Directors



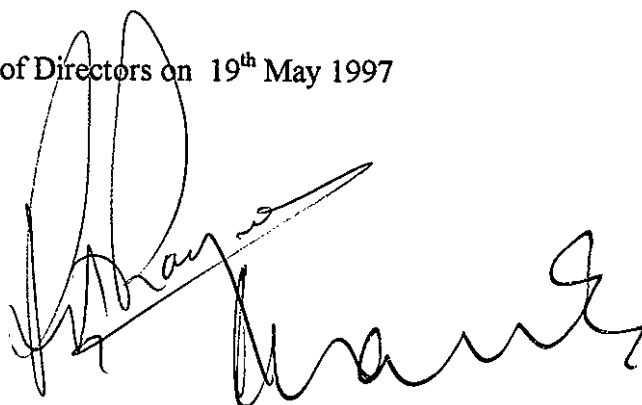
CULLEN'S HOLDINGS PLC

COMPANY BALANCE SHEET AS AT 2ND MARCH 1997

	Notes	1997 £000	1996 £000
FIXED ASSETS			
Tangible assets	12	27	-
Investments	13	1,035	1,496
		1,062	1,496
CURRENT ASSETS			
Debtors	15	2,741	2,941
Cash at bank		24	16
		2,765	2,957
CREDITORS - amounts falling due within one year			
	16	14	146
NET CURRENT ASSETS			
		2,751	2,811
TOTAL ASSETS LESS CURRENT LIABILITIES			
		3,813	4,307
CAPITAL AND RESERVES			
Called-up share capital	19	2,643	2,643
Share premium account	20	902	902
Capital reserve	20	761	761
Profit and loss account	20	(493)	1
SHAREHOLDERS' FUNDS			
		3,813	4,307

Approved by the Board of Directors on 19th May 1997

HON R A RAYNE
P MATTHEWS
Directors



CULLEN'S HOLDINGS PLC

GROUP STATEMENT OF CASH FLOWS FOR THE FIFTY-THREE WEEKS ENDED 2ND MARCH 1997

	Notes	1997 £000	1996 £000
NET CASH INFLOW			
FROM OPERATING ACTIVITIES	25	49	1,050
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		46	49
Interest paid		(23)	(42)
Interest element of finance lease rental payments		(21)	(14)
Dividend paid		(132)	(132)
		(130)	(139)
TAXATION			
Advance corporation tax paid		(33)	(33)
Corporation tax paid		(22)	-
		(55)	(33)
INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(1,120)	(1,177)
Sale of tangible fixed assets		1,499	70
Net loans repaid by/(paid to) franchisees		134	(142)
		513	(1,249)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING			
		377	(371)
FINANCE ACTIVITIES			
Loan repaid		60	60
Inception of finance leases		-	(251)
Repayment of capital element of finance leases		76	102
		136	(89)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
	26	241	(282)
		377	(371)

CULLEN'S HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIFTY-THREE WEEKS ENDED 2ND MARCH 1997

1. TURNOVER

Turnover, all of which derives from continuing UK retailing activities, represents the value of goods sold from managed stores, profit contributions from stores trading under the franchise partnership plan, franchise fee income, franchise rental income and petrol and valet sales. All amounts are stated net of value added tax and discounts.

	1997 £000	1996 £000
Value of goods sold from managed stores	7,694	4,028
Value of goods sold to franchise partnership stores	468	-
Franchise partnership plan profit contributions	182	752
Franchise fee income	701	595
Franchise rental income	798	701
Petrol and valet sales	1,190	-
	11,033	6,076

2. OTHER OPERATING INCOME

	1997 £000	1996 £000
Rent receivable from non-trading properties	71	95
Net profit on sale of franchises and licences	251	150
	322	245

3. EXCEPTIONAL ITEMS

	1997 £000	1996 £000
Net profit on sale of freehold properties	276	303
Provision for permanent diminution in value of freehold property	-	(204)
Loss on disposal of Hammersmith fixed assets	(242)	-
Provision for loss on Marylebone High Street fixed assets	(43)	-
	(9)	99

CULLEN'S HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIFTY-THREE WEEKS ENDED 2ND MARCH 1997

4. INTEREST (NET)

	1997 £000	1996 £000
Interest payable:		
On bank loan and overdraft repayable within five years	(23)	(37)
On finance lease obligations	(21)	(14)
	(44)	(51)
Interest receivable	46	49
	2	(2)

5. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1997 £000	1996 £000
The (loss)/profit on ordinary activities is stated after charging:		
Depreciation of owned assets	463	378
Depreciation of assets held under finance leases	63	42
Permanent diminution in value of freehold property	-	204
Auditors' remuneration - audit	28	27
- other	32	29
Operating lease rentals - land and buildings	1,489	1,204
- other	9	4

6. DIRECTORS' REMUNERATION

	1997 £000	1996 £000
The remuneration of the directors was:		
Fees	33	32
Basic salaries	115	112
Benefits	15	12
Performance related adjustments	(8)	(7)
Pension contributions	9	8
	164	157

Individual directors' emoluments were:

	Salary/fees	Performance related pay	Employer's pension contributions	Benefits in kind	1997 Total	1996 Total
	£	£	£	£	£	£
Executive directors:						
P Matthews	78,683	(7,917)	8,655	8,992	88,413	84,583
M G Chambers	36,050	-	-	6,117	42,167	40,194
Non-executive directors:						
Hon R A Rayne (Chairman)	22,000	-	-	-	22,000	22,000
P M Shirley	11,500	-	-	-	11,500	10,000

CULLEN'S HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIFTY-THREE WEEKS ENDED 2ND MARCH 1997

7. DIRECTORS' INTERESTS AND TRANSACTIONS

The directors who held office at 2nd March 1997 and their families had the following beneficial interests in the 10p ordinary shares of the company:-

	Number of ordinary shares	
	As at 2 nd March 1997	As at 25 th February 1996
P Matthews - (Executive director)	2,231,913	2,231,913
M G Chambers - (Executive director)	4,333	4,333
Hon R A Rayne - (Non-executive director)	1,000,000	1,000,000
P M Shirley - (Non-executive director)	10,766	10,766

In addition to the above shareholdings, options to subscribe for ordinary shares in the company have been granted to directors as follows:-

	Options	Grant date	Price
P Matthews	500,000	12 th June 1991	40p
P Matthews	321,000	1 st July 1992	36p

J M Allen, an employee and wife of P Matthews, has been granted the following options:

	150,000	15 th July 1993	20p
Performance related	250,000	15 th July 1993	20p
	170,000	19 th November 1995	15.5p

All options are exercisable between three and ten years of the grant date except for the performance related options which are exercisable between five and ten years of the grant date subject to the earnings growth of the company increasing over the first five year period at least in line with the 25th ranked company in the FTSE 100 index. The share price at 2nd March 1997 was 15p.

There have been no changes to directors' interests since the year end.

Hon R A Rayne is a director of Westpool Investment Trust plc which company had a substantial interest in the issued share capital of the company.

CULLEN'S HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIFTY-THREE WEEKS ENDED 2ND MARCH 1997

8. STAFF COSTS

	1997 £000	1996 £000
Wages and salaries	1,778	1,073
Social security costs	144	89
Other pension costs	36	29
	1,958	1,191

	Number of employees	
	1997	1996
The average monthly number of employees during the period was made up as follows:		
Branches	152	72
Administration	20	18
	172	90

The above figures do not distinguish between part-time and full-time employees.

9. TAXATION

	1997 £000	1996 £000
The taxation charge/(credit) is made up as follows:		
Corporation tax	(56)	56
Corporation tax provided in previous years	15	-
Deferred taxation	4	-
Irrecoverable advance corporation tax	37	(8)
	-	48

10. DIVIDEND

	1997 £000	1996 £000
No dividend proposed (1996 - 0.5p)	-	132

11. (LOSS)/EARNINGS PER SHARE

The calculation of loss/earnings per ordinary share is based on the loss after tax for the period of £494,000 (1996 - profit £313,000) and on 26,427,881 ordinary shares (1996 - 26,427,881) being the weighted average number of ordinary shares of 10p each in issue during the period.

CULLEN'S HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIFTY-THREE WEEKS ENDED 2ND MARCH 1997

12. TANGIBLE FIXED ASSETS

GROUP:	F'hold property £000	Long L'hold property £000	Short L'hold property £000	Plant fixtures and vehicles £000	Total £000
Cost:					
At 25 th February 1996	1,760	-	330	2,915	5,005
Additions at cost	-	28	30	1,062	1,120
Disposals	(425)	-	(18)	(557)	(1,000)
At 2nd March 1997	1,335	28	342	3,420	5,125
Depreciation:					
At 25 th February 1996	-	-	58	890	948
Charge for the period	-	1	18	507	526
Applicable to disposals	-	-	(2)	(198)	(200)
At 2nd March 1997	-	1	74	1,199	1,274
Net book value at 2nd March 1997	1,335	27	268	2,221	3,851
Net book value at 25 th February 1996	1,760	-	272	2,025	4,057

£258,000 of the freehold properties (1996 - £258,000) are held for use in operating leases to franchisees.

Included within plant, fixtures and vehicles are assets held under finance leases with a net book value of £163,000 (1996 - £240,000).

COMPANY: The company acquired a long leasehold property for £28,000 during the period which gave rise to a £1,000 depreciation charge, leaving a net book value of £27,000 as at 2nd March 1997.

CULLEN'S HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIFTY-THREE WEEKS ENDED 2ND MARCH 1997

13. INVESTMENTS

	1997	1996
	£000	£000
Cullen's Stores plc		
At cost		
220,000 fully paid 3.5% cumulative preferences shares of £1 each	143	143
1,000,000 fully paid ordinary shares of 20p each	4,750	4,750
1,000,000 fully paid "A" non-voting ordinary shares of 20p each	3,750	3,750
Less provision for diminution in value	(7,608)	(7,147)
	1,035	1,496

The shares represent the total issued share capital of Cullen's Stores plc, a company registered and operating in England as a retailer of groceries. A charge of £461,000 has been made in the current year in the company accounts to reflect the retained losses incurred by the subsidiary. Also included is a £2 investment in the total issued share capital of Cullens Patisseries Ltd, a dormant company registered in England.

14. STOCKS

The replacement costs of stocks, which comprise goods for resale, are estimated to be not materially different from their book amounts.

15. DEBTORS

	GROUP		COMPANY	
	1997	1996	1997	1996
	£000	£000	£000	£000
Trade debtors	371	186	-	-
Other debtors	250	1,046	-	301
Other debtors recoverable				
after more than one year	132	246	-	-
Prepayments and accrued income	265	307	3	-
Prepayments more than one year	107	-	-	-
Corporation tax recoverable	7	-	-	-
Amounts owed by subsidiary undertaking	-	-	2,738	2,640
	1,132	1,785	2,741	2,941

CULLEN'S HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIFTY-THREE WEEKS ENDED 2ND MARCH 1997

16. CREDITORS - amounts falling due within one year

	GROUP		COMPANY	
	1997	1996	1997	1996
	£000	£000	£000	£000
Bank loan	60	60	-	-
Trade creditors	420	273	-	-
Corporation tax	-	15	-	-
Advance corporation tax	-	33	-	-
Other taxation and social security	86	57	-	-
Other creditors	390	428	-	1
Finance lease creditors	110	104	-	-
Accruals and deferred income	405	238	14	13
Proposed dividend	-	132	-	132
	1,471	1,340	14	146

The bank loan is secured against certain of the freehold and leasehold properties of Cullen's Stores plc, and is repayable over five years (note 17).

17. CREDITORS - amounts falling due after more than one year.

	GROUP		COMPANY	
	1997	1996	1997	1996
	£000	£000	£000	£000
Bank loan repayable by instalments:				
- Amounts payable between one and two years	60	60	-	-
- Amounts payable between two and five years	60	120	-	-
Finance leases:				
- Amounts payable between one and two years	59	84	-	-
- Amounts payable between two and five years	28	106	-	-
	207	370	-	-

	1997	1996
	£000	£000
Analysis of changes in group loan financing:		
As at start of period	240	300
Repayment of loan	(60)	(60)
As at end of period	180	240

CULLEN'S HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIFTY-THREE WEEKS ENDED 2ND MARCH 1997

18. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation provided and the amounts not provided were as follows:

	PROVIDED		UNPROVIDED	
	1997 £000	1996 £000	1997 £000	1996 £000
Chargeable gains and revaluation of properties	4	-	-	180
Less: advance corporation tax	(4)	-	-	(100)
	-	-	-	80

There are no provided or unprovided deferred tax balances in the company

19. SHARE CAPITAL

	Ordinary shares of 10p each	£000
Authorised:		
At 25 th February 1996 and 2 nd March 1997	36,500,000	3,650
Allotted, issued and fully paid:		
At 25 th February 1996 and 2 nd March 1997	26,427,881	2,643

At 2nd March 1997 the company had outstanding options granted under its executive share option scheme, which are exercisable between three and ten years of the allocation date, as follows:-

Allocation date	No. of shares	Price per share
12 th June 1991	575,000	40p
1 st July 1992	371,000	36p
15 th July 1993	400,000	20p
19 th November 1995	170,000	15.5p

Included within the allocation on 15th July 1993 are 250,000 performance related options.

No options were exercised during the period.

CULLEN'S HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIFTY-THREE WEEKS ENDED 2ND MARCH 1997

20. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

GROUP	Share Capital £000	Share Premium Account £000	Profit & Loss Account £000	Total £000
At 26 th February 1995	2,643	902	581	4,126
Profit after taxation	-	-	313	313
Dividend	-	-	(132)	(132)
At 25 th February 1996	2,643	902	762	4,307
Loss after taxation	-	-	(494)	(494)
At 2nd March 1997	2,643	902	268	3,813

COMPANY	Share Capital £000	Share Premium Account £000	Capital Reserve £000	Profit & Loss Account £000	Total £000
At 26 th February 1995	2,643	902	761	(180)	4,126
Profit after taxation	-	-	-	313	313
Dividend	-	-	-	(132)	(132)
At 25 th February 1996	2,643	902	761	1	4,307
Loss after taxation	-	-	-	(494)	(494)
At 2nd March 1997	2,643	902	761	(493)	3,813

In accordance with the exemption allowed by section 230 of the Companies Act 1985, the company has not presented its own profit and loss account.

CULLEN'S HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIFTY-THREE WEEKS ENDED 2ND MARCH 1997

21. LEASE COMMITMENTS

	Land & Buildings 1997 £000	Other 1997 £000	Land & Buildings 1996 £000	Other 1996 £000
Operating leases:				
The annual rentals payable under operating leases are:				
Operating leases which expire within one year	56	1	4	-
Operating leases which expire within two to five years	-	4	-	9
Operating leases which expire after five years	1,363	-	1,443	-
	1,419	5	1,447	9

The operating leases for land and buildings are subject to periodic rent reviews.

Finance leases:				
Finance leases payable within one year	-	110	-	104
Finance leases payable within two to five years	-	87	-	190
	-	197	-	294
Less: finance charges allocated to future periods	-	(18)	-	(39)
	-	179	-	255

Analysis of changes in finance leases during the period:		
As at start of the period	255	106
Inception of finance leases	-	251
Capital element of finance lease repayments	(76)	(102)
As at end of the period	179	255

22. PENSION COSTS

The group operates a number of defined contribution schemes. The pension cost in respect of these schemes was £35,897 (1996 - £29,275).

23. CAPITAL COMMITMENTS

	1997 £000	1996 £000
Contracted but not provided for	-	286

CULLEN'S HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIFTY-THREE WEEKS ENDED 2ND MARCH 1997

24. CONTINGENT LIABILITIES

At 2nd March 1997, Cullen's Stores plc had given guarantees in respect of borrowings of four of its franchisees to the value of £311,000 on which no loss is expected to arise.

25. RECONCILIATION OF (LOSS)/PROFIT ON ORDINARY ACTIVITIES TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	1997 £000	1996 £000
Operating (loss)/profit	(487)	264
Depreciation charge	526	420
Profit on sale of franchises	(251)	(150)
Profit on sale of motor vehicles	(2)	(8)
Profit on sale of fixtures and fittings	-	(39)
Proceeds from sale of franchises	260	369
Increase in stocks	(92)	(90)
(Increase)/decrease in debtors	(210)	170
Increase in creditors and provisions	305	114
Net cash inflow from operating activities	49	1,050

26. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE PERIOD

Analysis of balances as shown in the balance sheet and changes during the current and previous year:

	1997 £000	1996 £000	Change in Year £000
Cash at bank and in hand	261	20	241

	1996 £000	1995 £000	Change in Year £000
Cash at bank and in hand	20	302	(282)

CULLEN'S HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIFTY-THREE WEEKS ENDED 2ND MARCH 1997

27. RELATED PARTY TRANSACTIONS

Cullen's Stores plc has a ten year franchise agreement, for one Cullens store, under the company's standard franchise terms with Goldcrest Catering Limited, a company in which Miss J M Allen, wife of P Matthews, is the principal shareholder.

Cullen's Stores plc has two property leases at open market rents with LMS Shops Limited and London Merchant Securities Plc, companies in which Hon R A Rayne is a director and shareholder.

CULLEN'S HOLDINGS PLC

GROUP FIVE YEAR FINANCIAL RECORD

	1997 £000	1996 £000	1995 £000	1994 £000	1993 £000
Network Sales	29,950	25,952	24,407	24,432	22,975
Group Turnover	11,033	6,076	6,773	5,273	4,468
Operating (loss)/profit	(487)	264	219	(418)	373
Exceptional items (loss)/profit	(9)	99	80	(236)	59
(Loss)/profit on ordinary activities before interest	(496)	363	299	(654)	432
Interest (net)	2	(2)	(10)	(14)	(25)
(Loss)/profit on ordinary activities before taxation	(494)	361	289	(668)	407
Taxation	-	(48)	(15)	(67)	(191)
(Loss)/profit on ordinary activities after taxation	(494)	313	274	(735)	216
Dividends	-	(132)	(132)	-	(132)
Retained (loss)/profit for the period	(494)	181	142	(735)	84
(Loss)/earnings per share	(1.9p)	1.2p	1.0p	(2.8p)	0.8p
Employment of finance	£000	£000	£000	£000	£000
Fixed assets	3,851	4,057	4,138	5,139	5,118
Net current assets/(liabilities)	169	620	305	(1,105)	(123)
Creditors due after one year	(207)	(370)	(317)	(22)	(255)
Provision for liabilities/charges	-	-	-	(28)	(21)
Net assets	3,813	4,307	4,126	3,984	4,719
Represented by:					
Shareholders' funds	3,813	4,307	4,126	3,984	4,719

Prior year comparatives are stated on the same basis as the 1997 results.