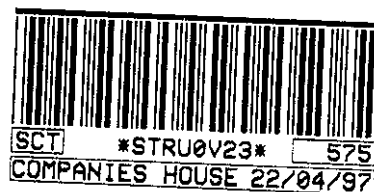


Top Hat Foods Limited

Report and Accounts

28 June 1996

ERNST & YOUNG



Top Hat Foods Limited

Registered No. 87013

DIRECTORS

A R J D Miller
A D Kay
J S Whitehead

SECRETARY

J S Whitehead

AUDITORS

Ernst & Young
Ten George Street
Edinburgh

BANKERS

Bank of Scotland
Eyemouth

SOLICITORS

Dundas & Wilson CS
Edinburgh

REGISTERED OFFICE

West Pitkerro
Dundee

DIRECTORS' REPORT

The directors submit their annual report together with the accounts of the company for the year ended 28 June 1996.

RESULTS AND DIVIDENDS

The loss for the year attributable to shareholders amounts to £311,870 (1995: £146,542). The directors do not recommend payment of a dividend. This leaves a loss to be charged to reserves of £311,870 (1995: £146,542).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company during the year continued to be the production and marketing of frozen ready meals under the Freezer Chef brand name and other labels.

Turnover increased by 9% to £7,344,844 in the year under review.

FUTURE DEVELOPMENTS

The company plans to continue the development and expansion of its ready meal products range and will also be seeking to achieve an increased share of the market segment through additional private label contracts.

POST BALANCE SHEET EVENTS

On 30 October 1996 the Company received loans of £50,000 each from Dundee City Council and Tayside Euro Fund. The loans are repayable over a four year period.

On 31 January 1997 an agreement was concluded between Top Hat Holdings Limited and Kirpac Limited whereby ownership was transferred to Kirpac Limited who became the company's ultimate parent company from that date.

FIXED ASSETS

During the year the company invested £164,009 in additions to fixed assets.

DIRECTORS

The directors of the company during the year were those listed on page 2. In addition Mr R S Forwell served during the year and resigned on 23 August 1996.

Mr A R J D Miller retires by rotation at the Annual General Meeting and being eligible, offers himself for re-election.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, 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 accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the accounts comply with the above requirements.

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 accounts 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.

DIRECTORS' REPORT

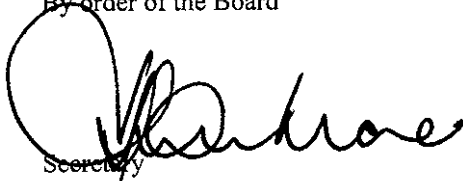
DIRECTORS' INTERESTS

No director had a beneficial interest in the share capital of the company at 30 June 1995 or 28 June 1996. The interests of the directors, who are all also directors of the ultimate parent company, in the share capital of Top Hat Holdings Limited are disclosed in the Directors' Report of that company.

AUDITORS

Ernst & Young resigned as auditors on 31 January 1997 and John Cummings & Partners will be appointed in their place.

By order of the Board

A large, stylized handwritten signature in black ink, likely belonging to the Secretary, is written over the word 'Secretary'.

Secretary

31 January 1997

REPORT OF THE AUDITORS
to the members of Top Hat Foods Limited

We have audited the accounts on pages 6 to 14 which have been prepared under the historical cost convention and on the basis of 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 the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

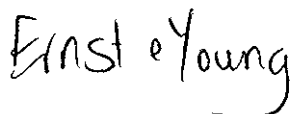
Basis of opinion

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 accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 28 June 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Ernst & Young', written in a cursive style.

Chartered Accountants
Registered Auditor
Edinburgh

31 January 1997

Top Hat Foods Limited

PROFIT AND LOSS ACCOUNT for the year ended 28 June 1996

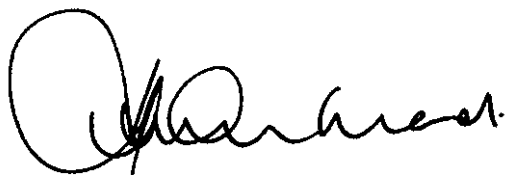

	Notes	1996 £	1995 £
TURNOVER	3	7,344,844	6,753,187
Operating costs	4	7,571,561	6,983,035
OPERATING LOSS	5	(226,717)	(229,848)
Interest payable	8	89,378	68,400
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(316,095)	(298,248)
Tax on loss on ordinary activities	9	(4,225)	(151,706)
LOSS FOR THE FINANCIAL YEAR	18	(311,870)	(146,542)

There are no recognised gains or losses during the year other than the loss attributable to shareholders of the company.

Top Hat Foods Limited

BALANCE SHEET at 28 June 1996

	Notes	1996 £	1995 £
FIXED ASSETS			
Tangible assets	10	1,829,640	1,870,475
CURRENT ASSETS			
Stocks	11	867,758	647,987
Debtors	12	991,562	1,111,346
		1,859,320	1,759,333
CREDITORS: amounts falling due within one year	13	2,996,836	2,535,080
NET CURRENT LIABILITIES		(1,137,516)	(775,747)
TOTAL ASSETS LESS CURRENT LIABILITIES		692,124	1,094,728
CREDITORS: amounts falling due after more than one year	14	34,000	75,154
PROVISION FOR LIABILITIES AND CHARGES			
Deferred Taxation	15	-	-
ACCRUALS AND DEFERRED INCOME			
Deferred Government Grants	16	534,016	583,596
TOTAL ASSETS LESS LIABILITIES		124,108	435,978
CAPITAL AND RESERVES			
Called up share capital	17	150,000	150,000
Profit and loss account	18	(25,892)	285,978
SHAREHOLDERS' FUNDS		124,108	435,978

Directors

31 January 1997

1. FUNDAMENTAL ACCOUNTING CONCEPT

The company is dependent on continuing finance being made available by its parent company to enable it to continue operating and to meet its liabilities as they fall due.

Kirpac Limited, the Company's parent company with effect from 31 January 1997, has agreed to provide sufficient funds to the company for these purposes. The directors believe that it is therefore appropriate to prepare the accounts on a going concern basis.

2. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. Advantage has been taken of the exemption from FRS 1 for a wholly owned subsidiary not to present a Statement of Cash Flows.

Depreciation

The cost of fixed assets is written off by equal instalments over their expected useful lives as follows:

Motor vehicles	-	2 - 4 years
Plant and equipment	-	2 - 10 years
Building improvements	-	10 - 20 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or the periods of the leases where these are shorter.

Packaging design and origination costs are amortised over two years or the life of the asset where shorter.

Stocks

Stocks are valued at the lower of invoice cost and net realisable value after making due allowance for any obsolete or slow moving items. In the case of finished goods and work in progress cost comprises direct costs and an appropriate proportion of manufacturing fixed and variable overheads. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all timing differences to the extent that it is probable that the liability will crystallise.

Leased assets

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the company are capitalised. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the profit and loss account so as to produce a constant periodic rate of charge.

Rentals in respect of all other leases are charged to the profit and loss account as incurred.

Government grants

Government grants on capital expenditure are credited to a separate account and are released to revenue over the expected useful life of the relevant asset by equal annual amounts. Grants of a revenue nature are credited to revenue in the period to which they relate.

Pension Costs

Pension costs are recognised on a systematic basis so that the costs of providing retirement benefits to employees are evenly matched, so far as is possible, to the service lives of the employees concerned. Any excess or deficiency of the actuarial value of assets over the actuarial value of liabilities of the pension scheme is allocated over the average remaining service lives of current employees.

3. TURNOVER

Turnover comprises the invoice value of goods and services exclusive of value added tax.

Top Hat Foods Limited

NOTES TO THE ACCOUNTS

at 28 June 1996

4. OPERATING COSTS

	1996 £	1995 £
Decrease/(increase) in stock of finished goods and work in progress	19,386	(184,297)
Raw materials and consumables	4,312,443	4,023,971
Other external charges	567,072	563,921
Staff costs - wages and salaries	1,531,796	1,487,322
- social security costs	103,542	98,594
- other pension costs	15,702	18,894
Depreciation less release of regional development grants £49,580 (1995 - £28,433)	155,264	115,156
Other operating charges	866,356	859,474
	<u>7,571,561</u>	<u>6,983,035</u>

Depreciation includes £20,967 (1995 - £14,911) for assets held under finance leases.

5. OPERATING LOSS

Operating loss is stated after charging:

	1996 £	1995 £
Operating lease rentals - land and buildings	74,834	49,753
- other	2,773	2,380
Auditors' remuneration	9,400	9,000
	<u></u>	<u></u>

6. EMOLUMENTS OF DIRECTORS

No director received remuneration during the year.

7. STAFF NUMBERS

The average number of persons employed during the year was as follows:

	1996	1995
Clerical	5	6
Managerial/supervisory	12	15
Manufacturing	160	151
	<u>177</u>	<u>172</u>

8. NET INTEREST PAYABLE

	1996 £	1995 £
Bank overdraft	81,970	58,246
Finance lease charges	8,874	10,154
	<u>90,844</u>	<u>68,400</u>
Interest receivable	(1,466)	-
	<u>89,378</u>	<u>68,400</u>

Top Hat Foods Limited

NOTES TO THE ACCOUNTS

at 28 June 1996

9. TAX ON LOSS ON ORDINARY ACTIVITIES

	1996 £	1995 £
Corporation Tax at 33% (1995 - 33%)	-	(151,706)
Deferred Taxation	-	-
	-	(151,706)
Overprovision in previous years	(4,225)	-
	(4,225)	(151,706)

10. TANGIBLE FIXED ASSETS

	Building improvements £	Motor vehicles £	Plant and equipment £	Total £
Cost:				
At 1 July 1995	1,047,758	39,636	1,507,297	2,594,691
Additions	47,526	-	116,483	164,009
At 28 June 1996	1,095,284	39,636	1,623,780	2,758,700
Depreciation:				
At 1 July 1995	215,424	17,060	491,732	724,216
Charge for the year	52,468	7,983	144,393	204,844
At 28 June 1996	267,892	25,043	636,125	929,060
Net book amounts at:				
28 June 1996	827,392	14,593	987,655	1,829,640
30 June 1995	832,334	22,576	1,015,565	1,870,475

The net book amount of motor vehicles includes £5,625 (1995: £22,576) in respect of leased assets. The net book amount of plant and equipment includes £162,073 (1995: £179,875) in respect of leased assets.

Top Hat Foods Limited

NOTES TO THE ACCOUNTS

at 28 June 1996

11. STOCKS

	1996	1995
	£	£
Raw materials	439,694	200,538
Work in progress	4,487	6,774
Finished goods	423,577	440,675
	<u>867,758</u>	<u>647,987</u>

In the opinion of the directors the above amounts are not materially different from either the replacement cost or the most recent actual purchase price or production cost before the balance sheet date.

12. DEBTORS

	1996	1995
	£	£
Trade debtors	933,612	647,555
Other debtors	28,151	240,850
Corporation tax recoverable	-	161,959
Prepayments and accrued income	29,799	60,982
	<u>991,562</u>	<u>1,111,346</u>

13. CREDITORS: amounts falling due within one year

	1996	1995
	£	£
Obligations under finance leases and hire purchase contracts (see note 13)	41,154	55,720
Bank overdraft	1,061,466	796,074
Trade creditors	1,315,570	1,124,401
Due to parent company	414,564	327,272
Other taxes and social security costs	40,386	23,924
Other creditors	24,938	34,942
Accruals	98,758	172,747
	<u>2,996,836</u>	<u>2,535,080</u>

The bank overdraft is secured by a bond and floating charge over the assets of the company (see also note 20).

Top Hat Foods Limited

NOTES TO THE ACCOUNTS

at 28 June 1996

14. CREDITORS: amounts falling due after more than one year

	1996	1995
Obligations under finance leases and hire purchase contracts	34,000	75,154
The amounts due are as follows:		
	1996	1995
	£	£
Payable within one year	48,857	64,575
Payable within two to five years	40,922	89,779
	89,779	154,354
Less finance charges allocated to future periods	(14,625)	(23,480)
	75,154	130,874
Allocated as:		
Current obligations (note 12)	41,154	55,720
Non-current obligations	34,000	75,154
	75,154	130,874

15. DEFERRED TAXATION

	1996	Provided 1995	Not Provided 1996	Not Provided 1995
	£	£	£	£
Accelerated capital allowances	-	-	219,097	223,531
Other timing differences	-	-	(4,805)	(666)
Losses available for carry forward	-	-	(80,779)	-
	-	-	133,513	222,865

16. DEFERRED GOVERNMENT GRANTS

	1996	1995
	£	£
At 30 June 1995	583,596	162,029
Grants received or receivable	-	450,000
Annual release	(49,580)	(28,433)
At 28 June 1996	534,016	583,596

17. CALLED UP SHARE CAPITAL

	1996	Authorised 1995	Allotted, called up and fully paid 1996	Allotted, called up and fully paid 1995
	No.	No.	£	£
Ordinary shares of £1 each	500,000	500,000	150,000	150,000

18. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
At 29 June 1994	150,000	432,520	582,520
Loss for the year	-	(146,542)	(146,542)
At 30 June 1995	150,000	285,978	435,978
Loss for the year	-	(311,870)	311,870
At 28 June 1996	150,000	(25,892)	124,108

19. SUBSIDIARY UNDERTAKING

The company owns the entire issued share capital, comprising two ordinary shares of £1 each, of Freezer Chef Limited which was incorporated on 2 October 1986 and is registered in Scotland. This company has not traded. Group accounts are not produced as Top Hat Foods Limited is itself a wholly owned subsidiary.

20. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £10,305 (1995: £52,980).

21. CONTINGENT LIABILITIES

The company has granted a floating charge over its assets in respect of bank borrowings of its ultimate parent company.

22. OBLIGATIONS UNDER OPERATING LEASES

The amounts due to be paid in the next 12 months under operating lease obligations are:-

	<i>1996 £</i>	<i>1995 £</i>
Leases expiring in respect of:		
Buildings - in over 5 years	109,500	109,500
Other operating leases - within 1 year	-	1,785
- within 2 to 5 years	2,110	-
	<u>111,610</u>	<u>111,285</u>

23. PENSION COMMITMENTS

The company participates in a group pension scheme providing benefits based on final pensionable pay. The assets from the scheme are held separately from those of the company, being invested with an insurance company. Amounts are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 6 April 1995. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum and that salary increases would average 8% per annum.

The pension charge for the year was £15,702 (1995 - £18,894). The most recent actuarial valuation showed that the market value of the group scheme's assets was £602,000 and that the actuarial value of those assets represented 163% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company and employees are 1.4% and 3% of earnings respectively from 6 April 1995.

24. ULTIMATE PARENT COMPANY

The parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the company is a member, was Top Hat Holdings Limited, until 31 January 1997 when ownership passed to Kirpac Limited, a company registered in England.

25. POST BALANCE SHEET EVENTS

On 30 October 1996 the Company received loans of £50,000 each from Dundee City Council and Tayside Euro Fund. The loans are repayable over a four year period.

On 31 January 1997 an agreement was concluded between Top Hat Holdings Limited and Kirpac Limited whereby ownership was transferred to Kirpac Limited who became the company's ultimate parent company from that date.