

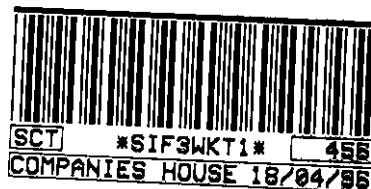
RR0155AAA

Top Hat Foods Limited

Report and Accounts

30 June 1995

ERNST & YOUNG



Top Hat Foods Limited

Registered No. 87013

DIRECTORS

A R J D Miller

R S Forwell

A D Kay

J S Whitehead

SECRETARY

R S Forwell

AUDITORS

Ernst & Young

Ten Constitution Road

Dundee

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 53 weeks ended 30 June 1995.

RESULTS AND DIVIDENDS

The loss for the year attributable to shareholders amounts to £146,542. The directors do not recommend payment of a dividend. This leaves a loss to be charged to reserves of £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 8% to £6,753,187 in the year under review and the outlook for the coming year is more optimistic.

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.

FIXED ASSETS

During the year the company invested £977,032 in additions to fixed assets.

DIRECTORS

The directors of the company during the year were those listed on page 2.

Mr R S Forwell 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.

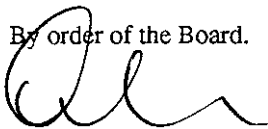
DIRECTORS' INTERESTS

No director had a beneficial interest in the share capital of the company at 24 June 1994 or 30 June 1995. 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 have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

By order of the Board.



R S Forwell

Secretary

12 September 1995

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.

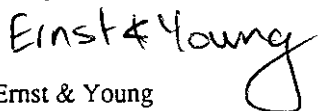
Basis of opinion

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 30 June 1995 and of its results for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young

Chartered Accountants

Registered Auditor

Dundee

12 September 1995

Top Hat Foods Limited

PROFIT AND LOSS ACCOUNT for the 53 weeks ended 30 June 1995

	Notes	1995 £	1994 £
TURNOVER	2	6,753,187	6,247,973
Operating costs	3	6,983,035	6,248,399
OPERATING LOSS	4	(229,848)	(426)
Interest payable	7	68,400	33,940
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(298,248)	(34,366)
Tax on loss on ordinary activities	8	(151,706)	(24,319)
LOSS ATTRIBUTABLE TO SHAREHOLDERS		(146,542)	(10,047)
Dividends		-	100,000
LOSS FOR THE FINANCIAL PERIOD	17	£(146,542)	£(110,047)

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

Top Hat Foods Limited

BALANCE SHEET

at 30 June 1995

	Notes	1995 £	1994 £
FIXED ASSETS			
Tangible assets	9	1,870,475	1,074,584
CURRENT ASSETS			
Stocks	10	647,987	431,153
Debtors	11	1,111,346	633,826
		1,759,333	1,064,979
CREDITORS: amounts falling due within one year	12	2,535,080	1,273,967
NET CURRENT LIABILITIES		(775,747)	(208,988)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,094,728	865,596
CREDITORS: amounts falling due after more than one year	13	75,154	121,047
PROVISION FOR LIABILITIES AND CHARGES			
Deferred Taxation	14	-	-
ACCRUALS AND DEFERRED INCOME			
Deferred Government Grants	15	583,596	162,029
TOTAL ASSETS LESS LIABILITIES		£ 435,978	£ 582,520
CAPITAL AND RESERVES			
Called up share capital	16	150,000	150,000
Profit and loss account	17	285,978	432,520
		£ 435,978	£ 582,520
SHAREHOLDERS' FUNDS			

A R J D Miller)

) Directors

J S Whitehead)

12 September 1995

A.R.J.D. Hill
[Signature]

NOTES TO THE ACCOUNTS

at 30 June 1995

1. 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:

Vehicles	-	2 - 4 years
Plant and equipment	-	2 - 10 years
Buildings 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.

2. TURNOVER

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

NOTES TO THE ACCOUNTS

at 30 June 1995

3. OPERATING COSTS

	1995	1994
	£	£
(Increase)/decrease in stock of finished goods and work in progress	(184,297)	94,928
Raw materials and consumables	4,023,971	3,369,996
Other external charges	563,921	509,933
Staff costs - wages and salaries	1,487,322	1,270,224
- social security costs	98,594	101,380
- other pension costs	18,894	8,132
Depreciation less release of regional development grants £ 28,433 (1994 - £28,195)	115,156	113,382
Other operating charges	859,474	780,424
	<u>£ 6,983,035</u>	<u>£6,248,399</u>

Depreciation includes £13,497 (1994 - £16,067) for assets held under finance leases.

4. OPERATING LOSS

Operating loss is stated after charging:

	1995	1994
	£	£
Hire of plant and machinery	5,446	9,688
Other operating lease rentals	52,133	49,380
Auditors' remuneration	9,000	8,700
	<u> </u>	<u> </u>

5. EMOLUMENTS OF DIRECTORS

No director received remuneration during the year.

6. STAFF NUMBERS

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

	1995	1994
Clerical	6	6
Managerial/supervisory	15	13
Manufacturing	151	138
	<u>172</u>	<u>157</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	1995	1994
	£	£
Bank overdraft	58,246	23,878
Finance lease charges	10,154	10,062
	<u>£ 68,400</u>	<u>£ 33,940</u>

NOTES TO THE ACCOUNTS

at 30 June 1995

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	1995	1994
	£	£
Corporation Tax at 35% (1994 - 35%)	(151,706)	(14,204)
Deferred Taxation	-	-
	(151,706)	(14,204)
Overprovision in previous years	-	(10,115)
	<u>£(151,706)</u>	<u>£ (24,319)</u>

9. TANGIBLE FIXED ASSETS

	<i>Building improvements</i>	<i>Motor vehicles</i>	<i>Plant and equipment</i>	<i>Total</i>
	£	£	£	£
Cost:				
At 24 June 1995	638,195	32,104	964,383	1,634,682
Additions	409,563	24,186	503,472	937,221
Group transfers	-	-	39,811	39,811
Disposals	-	(16,654)	(369)	(17,023)
At 30 June 1995	<u>1,047,758</u>	<u>39,636</u>	<u>1,507,297</u>	<u>2,594,691</u>
Depreciation:				
At 24 June 1995	177,170	26,366	356,562	560,098
Charge for the period	38,254	7,348	97,987	143,589
Group transfers	-	-	37,279	37,279
Disposals	-	(16,654)	(96)	(16,750)
At 30 June 1995	<u>215,424</u>	<u>17,060</u>	<u>491,732</u>	<u>724,216</u>
Net book amounts at:				
30 June 1995	<u>£ 832,334</u>	<u>£ 22,576</u>	<u>£ 1,015,565</u>	<u>£1,870,475</u>
24 June 1994	<u>£ 461,025</u>	<u>£ 5,738</u>	<u>£ 607,821</u>	<u>£1,074,584</u>

The net book amount of vehicles includes £22,576 (1994 £Nil) in respect of leased assets. The net book amount of plant and equipment includes £ 85,588 (1994 - £189,130) in respect of lease assets.

NOTES TO THE ACCOUNTS

at 30 June 1995

10. STOCKS

	1995	1994
	£	£
Raw materials	200,538	168,001
Work in progress	6,774	2,509
Finished goods	440,675	260,643
	<u>£647,987</u>	<u>£431,153</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.

11. DEBTORS

	1995	1994
	£	£
Trade debtors	647,555	576,624
Other debtors	240,850	26,735
Corporation tax recoverable	161,959	14,204
Prepayments and accrued income	60,982	16,263
	<u>£ 1,111,346</u>	<u>£633,826</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1995	1994
	£	£
Obligations under finance leases and hire purchase contracts (see note 13)	55,720	52,042
Bank overdraft	796,074	237,099
Trade creditors	1,124,401	677,724
Due to parent company	327,272	109,903
Other taxes and social security costs	23,924	24,749
Other creditors	34,942	29,164
Accruals	172,747	143,286
	<u>£ 2,535,080</u>	<u>£1,273,967</u>

The bank overdraft is secured by a bond and floating charge over the assets of the company (see also note 19).

NOTES TO THE ACCOUNTS

at 30 June 1995

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

	1995	1994
Obligations under finance leases and hire purchase contracts	£ 75,154	£121,047
The amounts due are as follows:		
	1995	1994
	£	£
Payable within one year	64,575	63,072
Payable within two to five years	89,779	144,640
	154,354	207,712
Less finance charges allocated to future periods	(23,480)	(34,623)
	£ 130,874	£173,089
Allocated as:		
Current obligations (note 12)	55,720	52,042
Non-current obligations	75,154	121,047
	£ 130,874	£173,089

14. DEFERRED TAXATION

	Provided 1995 £	1994 £	Not Provided 1995 £	1994 £
Accelerated capital allowances	-	-	223,531	152,361
Other timing differences	-	-	(666)	9,021
	£ -	£ -	£222,865	£161,382

15. DEFERRED GOVERNMENT GRANTS

	1995	1994
	£	£
At 24 June 1994	162,029	190,224
Grants received or receivable	450,000	-
Annual release	(28,433)	(28,195)
At 30 June 1995	£ 583,596	£ 162,029

16. CALLED UP SHARE CAPITAL

	1995	Authorised 1994	Allotted, called up and fully paid 1995	1994
	No.	No.	£	£
Ordinary shares of £1 each	500,000	500,000	150,000	150,000

NOTES TO THE ACCOUNTS

at 30 June 1995

17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share Capital £	Profit and loss Account £	Total £
At 24 June 1994	150,000	432,520	582,520
Loss for the period	-	(146,542)	(146,542)
At 30 June 1995	<u>£150,000</u>	<u>£ 285,978</u>	<u>£ 435,978</u>

18. 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.

19. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £52,980 (1994 - £400,000). Amounts authorised by the directors but not contracted for amounted to £Nil (1994 - £135,000).

20. CONTINGENT LIABILITIES

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

21. OBLIGATIONS UNDER OPERATING LEASES

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

	1995 £	1994 £
Leases expiring in respect of:		
Buildings - in over 5 years	109,000	47,000
Other operating leases - within 1 year	1,785	-
- within 2 to 5 years	-	1,785
	<u>£ 110,785</u>	<u>£ 48,785</u>

NOTES TO THE ACCOUNTS

at 30 June 1995

22. 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 1992. 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 period was £ 18,894 (1994 - £8,132). The most recent actuarial valuation showed that the market value of the group scheme's assets was £390,000 and that the actuarial value of those assets represented 195% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company and employees are 5.8% and 3% of earnings respectively from 6 April 1992.

23. ULTIMATE HOLDING COMPANY

The parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the company is a member, is Top Hat Holdings Limited, the ultimate holding company which is registered in Scotland.