BAKER PERKINS HOLDINGS LIMITED

PLAINTIFF'S EXHIBIT

APV-17

Annual report 1966

Contents

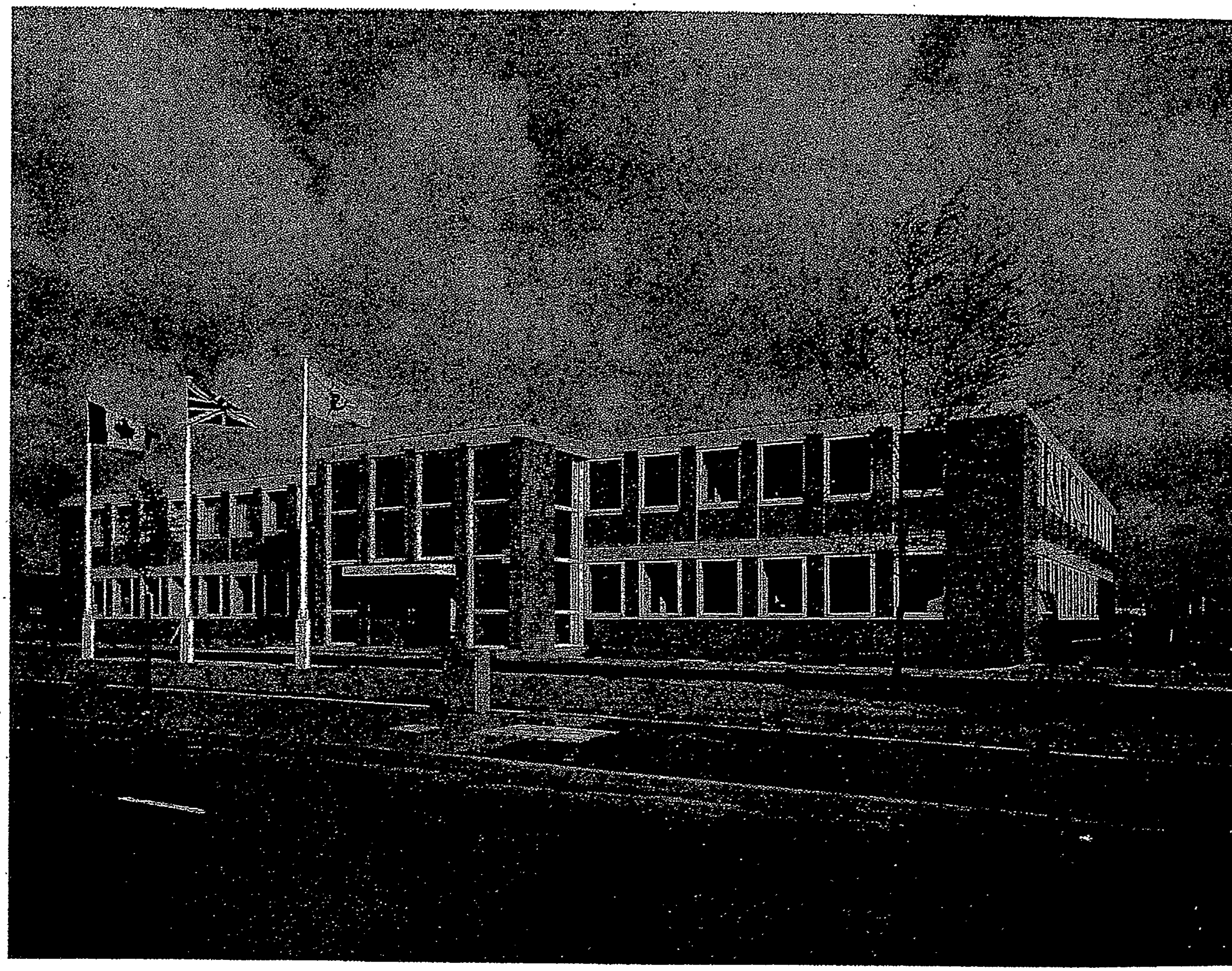
Notice of meeting

Notice is hereby given that the sixty-sixth annual general meeting of Baker Perkins Holdings Limited will be held in the Queen's Room, Baltic Exchange Chambers, 14-20 St. Mary Axe, London, E.C.3 on 8th June 1967 at 12.15 p.m. for the following purposes —

1. To receive the directors' report and the accounts of the company for the year ended 31st December 1966.
2. To re-elect directors.
3. To transact any other business of an annual general meeting.

Only ordinary stockholders of the company are entitled to attend and vote at the meeting. An ordinary stockholder is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a stockholder.

By order of the board of directors,
J. S. HARDY,
15th May 1967 Secretary



The headquarters of Baker Perkins Holdings Limited at Westwood, Peterborough

Stockholders' diary

Ordinary stock interim dividend 1966	Paid on 30th November 1966.
final dividend 1966	Announced on 10th May 1967. If approved, payment to be made on 16th June 1967.
7% cumulative preference stock	Dividend paid half-yearly on 31st March and 30th September.
5¾% debenture stock 1979/84 6½% debenture stock 1981/86 (see note 8 on the accounts)	Interest paid half-yearly on 31st May and 30th November.
6¾% convertible unsecured loan stock 1982/85 (see note 8 on the accounts)	Interest paid half-yearly on 31st March and 30th September.
Results for the year ended 31st December 1966	Announced on 10th May 1967.
Annual report 1966	Posted to stockholders on 15th May 1967.
Results for the six months ended 30th June 1967	To be announced during September 1967.
Interim report 1967	To be posted to stockholders during September 1967.
66th annual general meeting	To be held in the Queen's Room, Baltic Exchange Chambers, 14-20 St. Mary Axe, London, E.C.3 on 8th June 1967.

Finance Act 1965

The market value of Baker Perkins Holdings Limited stocks on 6th April 1965 for the purpose of the long term capital gains tax were —

5¾% debenture stock	(£100)	£91	0	0
6½% debenture stock	(£100)	£95	10	0
Preference stock	(£1)		18	6
Ordinary stock	(£1)	£1	19	0

The 6¾% convertible unsecured loan stock was issued at par on 15th June 1965.

The close company provisions of the act do not apply to the company

Board of directors

Chairman	**A. I. Baker,** C.B.E., J.P., M.A., M.I.Mech.E., M.I.Prod.E. Chairman of group management.
Vice chairman	**J. F. M. Braithwaite,** M.A. Vice chairman of group management.
Directors	**K. C. P. Barrington,** F.C.A. Non-executive director. A managing director of Morgan Grenfell & Co. Ltd.
	W. A. B. Brown, M.A., M.I.Mech.E. Managing director, Rose Forgrove Ltd.
	H. Crowther, J.P., A.M.I.Mech.E. Non-executive director. Retired member of group management.
	S. C. Hargreaves, M.A., A.M.I.Mech.E. Director, Baker Perkins Ltd.
	P. B. Harley, B.Com. (U.S.A.). President, Baker Perkins Inc.
	N. Mountain. Managing director, Baker Perkins Ltd.
	J. M. Peake, M.A., A.M.I.Mech.E., F.I.M.A. Group planning director.
	W. S. B. Sampson, F.C.A., F.C.I.S. Member of group management. Finance director.
	L. P. Simpson, B.Sc. (Tech.)., M.I.Prod.E. Deputy managing director, Baker Perkins Ltd.
	R. H. Wilkins, O.B.E., F.C.I.S. Member of group management.

Secretary	**J. S. Hardy,** M.A., F.C.I.S.
Auditors	**Price Waterhouse & Co.**
Bankers	**Lloyds Bank Limited** **Morgan Grenfell & Co. Limited**
Solicitors	**Clifford-Turner & Co.**
Head office and registered transfer office	**Westwood, Peterborough**
London office	**13 Stanhope Gate, Park Lane, London W.1.**

Chairman's letter to the stockholders

The overseas group had another good year, earning 21·8% before tax on capital employed, which fell only slightly short of its record performance in 1965. For the first time, capital employed overseas exceeded that employed in the United Kingdom companies. However, 1966 was a disappointing year with the United Kingdom group making a return of only 3·4% on capital employed which, for reasons set out in the directors' report, was below our expectations. Order-taking was somewhat lower than we had hoped for, but most companies started 1967 with a reasonable head of orders.

Since the beginning of this year, order-taking in our largest subsidiary, Baker Perkins Limited, has been good. It is encouraging that a large part of this is from our traditional bakery and biscuit customers. Equipment for the food industries, which cater for basic human needs, makes up by far the largest part of its business and receives constant top level attention from the management. It is no accident that the one major diversification of this company also caters for a basic human need in supplying machinery for the printing industry. This division has concentrated on the latest printing techniques and has specialised in web offset machinery, particularly for colour printing. It has obtained some very good orders and it is of interest that it has been successful in breaking into the highly competitive U.S. market with two complete installations. In all, the division has either delivered or taken orders for £4 million of equipment in just over 3 years. The prospects for Baker Perkins Limited are therefore encouraging.

An important event during the year was the decision to form, as from 1st January 1967, Rose Forgrove Limited from the four companies, Rose Brothers (Gainsborough) Limited, The Forgrove Machinery Company Limited, The Northern Manufacturing Company Limited and Job Day and Sons Limited. W. A. B. Brown, previously managing director of Forgrove, is managing director of the new company, and R. H. Wilkins is chairman. It was also decided to build a new factory to accommodate under one roof the production previously carried on by Forgrove in two separate establishments in Leeds. This is part of the rationalisation process which the group has been carrying out over the past years and which is now beginning to show results. You will notice from page 20 that the number of United Kingdom subsidiary companies has been reduced from 16 in 1964 to 10 at present.

The position in the other United Kingdom subsidiaries varies and some of them have been affected rather more than Baker Perkins Limited by the credit squeeze, but most of them expect to do as well or better than they did in 1966.

It is with deepest regret that I report the death on 15th November 1966 of C. N. Brown at the early age of 57. He had been with the company for 36 years and was a director of the parent company for almost 20 years. He rendered invaluable service for very many years as head of the important bakery machinery division and latterly as a member of the board of management of Baker Perkins Limited.

For many years we have devoted a great deal of time and money to training at all levels, and I was very pleased when the Engineering Industry Training Board made a grant to the group as a whole at a high rate which recognises that our training is of top quality. I have personally devoted a good deal of time to our management development programme and I am satisfied that we have a lot of first class young men who will be a great strength to the group in the future.

Relations with employees have been excellent. I thank on your behalf my colleagues on the board for their unfailing support and our employees throughout the world for their loyalty and hard work in a year that was far from easy.

It is to be hoped that increasing government expenditure against the background of a stagnant economy will not tax the resources of British industry to the point where its capacity to re-equip and make its way in an increasingly competitive environment is permanently damaged.

Similarly if the United Kingdom is to avoid a further brain drain to other European countries on entering the Common Market, then the weight of direct personal taxation must be eased and greater incentives offered without leaving it to private industry to try and compete with higher but ineffective gross salaries which only burden costs still further.

The economies of the U.S.A. and certain European countries are definitely less buoyant than they were, making forecasting results for the current year more difficult than ever. Taking home and overseas together, I hope the overall result for the group will be somewhat better than 1966, but it will probably not reach the peak of 1965.

A. I. BAKER.

Baker Perkins Holdings Limited

Group financial highlights

Sales to customers	1966 £	1966 %	1965 £	1965 %
United Kingdom — Home	12,264,570	42.8	11,774,006	41·8
— Export	6,230,696	21·7	5,890,702	20·9
Overseas manufacture	10,181,891	35·5	10,503,011	37·3
	£28,677,157	100·0	£28,167,719	100·0

Capital employed (Capital, reserves and minority interests in subsidiaries)	1966	1965
United Kingdom companies	6,519,510	6,578,095
Overseas companies	6,947,623	6,529,225
	£13,467,133	£13,107,320

Profit before taxation	1966	% on capital employed	1965	% on capital employed
United Kingdom companies	223,850	3·4	391,711	6·0
Overseas companies	1,512,538	21·8	1,714,631	26·3
	£1,736,388	12·9	£2,106,342	16·1

	1966	1965
Profit after taxation attributable to stockholders of Baker Perkins Holdings Limited	£749,320	£1,026,897
Earnings after tax per £1 unit of ordinary stock	3/7d	5/–d
Dividends payable to ordinary stockholders — per £1 unit	2/3d	2/3d
— gross total	£461,476	£461,365
Cash flow (retained profits plus depreciation)	£945,137	£1,390,057
Capital expenditure on property, plant and machinery	£1,208,094	£1,252,408

Directors' report

In submitting their sixty-sixth annual report, together with the audited accounts of the group for the year ended 31st December 1966, the directors have included much of the information previously given in the chairman's review as it is felt that this pattern is more likely to be followed in the future when the present Companies Bill becomes law.

Results

Group sales in 1966 amounted to £28,677,157 representing a small increase over 1965. Profit before taxation was £1,736,388 compared with £2,106,342 in 1965. The profit after taxation attributable to the stockholders of Baker Perkins Holdings Limited for 1966 was £749,320 compared with £1,026,897 in 1965, a reduction of approximately 28%. Taxation removed 45% of the profit due to the high proportion of profit earned abroad, where the rate of corporation tax is higher than in the United Kingdom.

The reduction in the profits of the group was due to a combination of factors, the most important of which were the provisions for obsolete stocks arising from the rationalisation of our chemical and plastics machinery activities, the increased cost of research and development of new lines of machinery and the economic climate which prevailed during 1966.

The group financial statistics on page 16 include this year the rate of profit, before taxation and interest, on funds employed which it is thought will be helpful for stockholders who use the Exchange Telegraph and Moodies Services. It is disappointing to record a fall to a rate of 10·3% compared with 12·1% in 1965. As the chairman stated in the 1965 annual report, this is not as high as it should be and the immediate target rate remains at 15% on funds employed but this is not by any means regarded as a ceiling.

The group profit sharing scheme for United Kingdom companies does not participate in profits earned by the overseas companies and it will be seen from the group financial highlights that for the past two years most of the profits have been earned by the overseas companies. As the United Kingdom companies only earned 3·4% on capital employed in 1966, the board decided that there would be no group profit share for the year.

Summary of operations

The group is Britain's leading manufacturer of industrial food machinery and wrapping and packaging machinery, whilst also manufacturing machinery for the chemical, foundry, laundry and printing industries. The international character of the group and the importance of its overseas interests are reflected in the size of the group's sales in markets outside the United Kingdom, as shown in the following table:—

	1966		1965	
	£000	%	£000	%
United Kingdom	12,265	42·8	11,774	41·8
North America ..	9,433	32·9	9,528	33·8
Europe, excluding United Kingdom	2,825	9·9	2,429	8·6
Australasia ..	1,738	6·0	2,115	7·5
Rest of World ..	2,416	8·4	2,322	8·3
Total ..	28,677	100·0	28,168	100·0

Last year, the chairman commented in his review on the disparity between the contribution made by the overseas member companies of the group and that made by the United Kingdom companies. This situation continued in 1966 and in the aggregate the results of the United Kingdom companies were most disappointing. Although the majority succeeded in maintaining a satisfactory level of ordertaking and sales in difficult circumstances and several, particularly the smaller ones, achieved very good results, the provisions previously mentioned and the increased cost of research and development in certain lines reduced the final total result to an unsatisfactory level.

Home trade

The United Kingdom in 1966 was dominated by the economic situation and the measures taken by the government, particularly those in July, to combat the increasing balance of payments difficulties. The operations of the United Kingdom member companies must be set against this background which adversely affected a number of them.

The wrapping and packaging machinery companies namely, Forgrove, Rose, and Job Day again had a successful year. The planned reorganisation of this part of the group became effective at the end of the year and, from 1st January 1967, Rose Forgrove Limited commenced to trade with three operating divisions, Forgrove, Rose and Job Day.

Baker Perkins Limited continued its policy of developing new products and, as indicated last year, its most important long term project is the development and marketing of the range of web fed rotary offset printing presses. In the chairman's review last year, the possible effect of the government's Prices and Incomes Policy on the bread baking industry was mentioned and, as expected, the hesitation of the industry to proceed with capital expenditure had an effect on the contribution made by this division to the company's profits. To some extent, this was offset by increased exports of biscuit and other food machinery. During the year the process of reorganisation previously mentioned was continued and, by the end of the year, the activities of Baker Perkins Limited had been grouped into a number of product divisions to provide the maximum concentration for each product line by the combination of sales and design and development under one divisional manager.

Baker Perkins Jaxons Limited of Glasgow, which has been a member of the group for six years, increased its profits to a record level in 1966. In the last eighteen months this company has marketed the Swiftlay Cabinet Coat Press which has make a considerable contribution to the efficiency of the laundry trade which it serves and to the profits of the United Kingdom group of companies.

Mention was made last year of the removal to new leasehold offices and factory at Basingstoke of Douglas-Rownson Limited and 1966 proved to be a difficult year for this company. The disruption to production caused by the removal to Basingstoke and the economic conditions affecting the industries which this company serves resulted in a trading loss for the year.

Steele and Cowlishaw Limited of Stoke-on-Trent had a successful year and increased its profits. This company has now become more diversified and offers a wide range of products for the chemical industry. The capacity of the company is being expanded.

At the end of 1966 it was decided to rationalise the chemical machinery interests of the group and Baker Perkins Limited took over from Baker Perkins Chemical Machinery Limited the responsibility for certain products which the latter company had previously handled. At the same time certain other activities were concentrated under Steele and Cowlishaw Limited at Stoke-on-Trent.

Exports

Baker Perkins (Exports) Limited which handles the overseas sales of bakery, biscuit, chocolate, confectionery, wrapping and packaging machinery again had a successful year and increased its turnover of exports from this country to £4,500,000. With other types of equipment exported from the United Kingdom directly by other subsidiaries, the total exports from the United Kingdom reached £6,231,000 being an increase of nearly 6% over 1965.

It is only fitting to record that the government has assisted exporters through its export rebates, export credit guarantees and advantageous terms of financing which were available even in the tightest part of the credit squeeze.

Overseas trade

Baker Perkins Inc., U.S.A., again had a successful year with total sales of $24,109,000, profit before tax of $2,860,000 and profit after tax of $1,569,000. This represents a major contribution to the results of the group as a whole. Orders received in the food machinery division were less than the record levels of 1965 but demand was steady and this division is building up a more satisfactory level of unexecuted orders. The chemical division orders were greater in 1966 than in any previous year and it now has a record amount of unexecuted orders in hand. The company's research and development programme continues to generate new products and better designs which are enhancing their product line and improving earlier models in several important categories.

Canadian Baker Perkins Limited, whose figures are consolidated with those of Baker Perkins Inc. previously mentioned, had a successful year in 1966 after several years of unprofitable operations. Negotiations are currently in progress to broaden the basis of the Canadian company's business.

The member companies in Australia and New Zealand had a good year and profits were considerably higher than in 1965.

The newly established branch in Tokyo of Baker Perkins Far East A.G. which was formed to serve the Far Eastern markets had a satisfactory level of activity during its second year of operation but local competition is increasing rapidly.

Capital expenditure

The capital expenditure on land, buildings, plant and machinery amounted to £1,208,000 as set out in note 5 (a) on the accounts, which compares with an expenditure of £1,252,000 in the preceding year.

If the group is to maintain or increase its share of the expanding market in wrapping and packaging machinery, improved manufacturing facilities are needed and the directors have approved the construction of a new factory in Leeds at a cost in excess of £1,000,000 under lease-back arrangements described below. It is the intention that this factory will take over the activities of the two existing factories of Rose Forgrove Limited at Dewsbury Road and on the Seacroft estate in Leeds, which in due course will be sold. The new factory is to be built on a site at Seacroft of some thirteen acres, which was acquired by the group about six years ago for this purpose and it will give Rose Forgrove Limited a much-needed headquarters and provide room for expansion for the foreseeable future.

The group has contracted to acquire for £70,000 the factory adjoining the West Bromwich premises of James Halley & Sons Limited.

Apart from the above two properties, the value of new capital projects sanctioned for the year 1967 is under £1,000,000.

Finance

It was not necessary to raise any new capital during 1966, but it was decided that the new factory in Leeds to be built for Rose Forgrove Limited, referred to in the preceding paragraph on capital expenditure, should be financed by a sale and lease-back arrangement, which was effected on satisfactory terms.

The group financial highlights show that the cash flow in 1966 dropped to £945,000 from the record figure of £1,390,000 in the preceding year. This drop is partly accounted for by income tax of approximately £200,000 deducted from dividends which now has to be handed over to the Inland Revenue, as explained on page 5 of the 1965 annual report.

A considerable amount of money continues to be tied up in stocks and debtors, which amounted to £19,900,000 as at 31st December 1966, representing an increase of about £100,000 compared with the previous year's increase of £1,800,000. This considerable slowing down in the rate of increase compared with the previous year reflects the great attention paid by the management to this problem.

Dividends

A final gross dividend of 1s. 3d. per £1 ordinary stock unit payable on 16th June 1967, is recommended; income tax will be deducted from this at 8s. 3d. in the £. This dividend, together with the interim dividend of 1s. 0d. paid on 30th November 1966, will make a total gross distribution of 2s. 3d. per £1 ordinary stock unit in respect of 1966, the same rate as for 1965.

The gross dividend paid or payable to stockholders on the ordinary stock of £461,476 together with the dividend on the 7% preference stock of £29,400 totals £490,876. Due to the major taxation changes in 1965, the company will incur a liability of £487,844 in respect of dividends to stockholders compared with £288,502 in 1965.

The undistributed 1966 profits added to revenue reserves amount to £261,476 compared with £738,395 in 1965.

Board of directors

The directors record with regret the death of C. N. Brown on 15th November 1966. T. E. M. Douglas resigned from the board on 29th July 1966. There have been no other changes to the board during 1966.

The directors retiring by rotation are A. I. Baker, P. B. Harley, N. Mountain and L. P. Simpson and, being eligible, they offer themselves for re-election.

The interests of all the directors of the company and their family interests (as defined in the general undertaking of the Stock Exchange, London) did not in aggregate, in respect of either share capital or voting control, exceed 5 per cent.

Auditors

Price Waterhouse & Co. have signified their consent to continue in office as auditors.

Personnel

The directors record their thanks for the hard work and faithful service of over 9,000 employees, at home and overseas, who have responded at all levels to the difficulties of the past year.

By order of the board of directors,
J. S. HARDY,
Secretary

10th May 1967

Baker Perkins Holdings Limited

Group profit and loss account

for the year ended 31st December 1966

	1966 £	1966 £	1965 £	1965 £
Sales to customers		28,677,157		28,167,719
Income from associated companies (note 1)		413,158		436,443
		29,090,315		28,604,162
Costs and expenses (note 2)		26,796,825		25,994,629
		2,293,490		2,609,533
Bank and loan interest payable (note 3)		557,102		503,191
Profit before taxation		1,736,388		2,106,342
Taxation (note 4)		785,430		881,138
Profit after taxation		£950,958		£1,225,204
Attributable to stockholders of Baker Perkins Holdings Limited				
Dividends, gross—				
Preference stock	29,400		29,400	
Ordinary stock	461,476		461,365	
	490,876		490,765	
Income tax deducted and retained	3,032		202,263	
		487,844		288,502
Retained in the business—				
Baker Perkins Holdings Limited	103,355		421,956	
Subsidiaries	158,121		316,439	
		261,476		738,395
		749,320		1,026,897
Attributable to minority stockholders of subsidiaries		201,638		198,307
		£950,958		£1,225,204

Baker Perkins Holdings Limited

Group balance sheet

31st December 1966

	1966		1965	
	£	£	£	£
Fixed assets				
Land, buildings, plant and machinery (note 5) ..	6,650,333		6,197,617	
Investments in associated companies (note 1) ..	1,004,251		861,043	
		7,654,584		7,058,660
Net current assets (note 6)				
Stock and work in progress	9,107,016		9,413,112	
Debtors	10,819,886		10,396,827	
Bank balances and cash	888,092		1,590,493	
	20,814,994		21,400,432	
Less—				
Bank advances	3,470,209		2,953,351	
Creditors	4,338,069		4,712,724	
Progress payments	1,364,995		1,341,379	
Taxation	207,871		710,284	
Ordinary dividend, gross (1965 net)..	256,376		150,617	
	9,637,520		9,868,355	
		11,177,474		11,532,077
		£18,832,058		£18,590,737
Financed as follows:				
Capital and reserves				
Issued ordinary capital..	4,102,009		4,102,009	
Capital reserves (note 7)	1,970,130		1,815,910	
Revenue reserves (note 7)	5,229,252		5,137,429	
Ordinary stockholders' interest		11,301,391		11,055,348
Issued preference capital		420,000		420,000
		11,721,391		11,475,348
Minority interests in subsidiaries		1,745,742		1,631,972
Taxation deferred by capital allowances ..		517,600		509,592
Loans (note 8)		4,847,325		4,973,825
		£18,832,058		£18,590,737

Baker Perkins Holdings Limited

Company balance sheet

31st December 1966

		1966		1965	
		£	£	£	£
Fixed assets					
Land, buildings, plant and machinery (note 5) ..		1,798,231		1,625,552	
Investments in associated companies (note 1) ..		771,740		624,004	
			2,569,971		2,249,556
Subsidiaries					
Shares at cost		8,027,261		7,844,296	
Amounts receivable		5,516,979		4,840,093	
		13,544,240		12,684,389	
Amounts payable		631,053		156,352	
			12,913,187		12,528,037
Current assets					
Debtors		52,473		6,778	
Taxation recoverable		2,228		215,611	
			54,701		222,389
			15,537,859		14,999,982
Current liabilities					
Bank advances		1,373,355		1,480,683	
Creditors		469,681		477,452	
Ordinary dividend, gross (1965 net)..		256,376		150,617	
			2,099,412		2,108,752
			£13,438,447		£12,891,230
Financed as follows:					
Capital and reserves	Authorised in shares of £1 each	Issued and converted into stock			
Capital: 7% cumulative preference	420,000	420,000		420,000	
Ordinary	6,000,000	4,102,009		4,102,009	
	£6,420,000		4,522,009		4,522,009
Capital reserves (note 7)		1,364,548		1,216,812	
Revenue reserves (note 7)		2,617,565		2,096,584	
			3,982,113		3,313,396
			8,504,122		7,835,405
Taxation deferred by capital allowances ..			87,000		82,000
Loans (note 8)			4,847,325		4,973,825
			£13,438,447		£12,891,230

A. I. Baker
J. E. M. Braithwaite } Directors

Notes on the accounts

1. Associated companies

(a) Income

	1966	1965
	£	£
European limited partnership —		
Profit for year before taxation attributable to the company's interest ..	392,397	401,493
Other companies —		
Dividends received	20,761	34,950
	£413,158	£436,443

(b) Investments

	Company 1966	Company 1965	Group 1966	Group 1965
European limited partnership —	£	£	£	£
Investment at cost	205,215	205,215	205,215	205,215
Net unremitted profit from 1st January 1962	538,997	391,261	538,997	391,261
	744,212	596,476	744,212	596,476
The capital and unremitted profit attributable to this investment at 31st December 1966 amounted to approximately £1,270,000 (£1,109,000). Prior to 1st January 1962, income was taken into profit only to the extent of remittances received.				
Other companies —				
Shares, at cost	27,528	27,528	260,039	264,567
	£771,740	£624,004	£1,004,251	£861,043

2. Costs and expenses

Costs and expenses include —	1966	1965
	£	£
Depreciation (note 5)	578,988	549,961
Directors' emoluments: Fees	3,625	3,500
Management services	160,043	165,221
Pensions to past directors or their dependants	5,921	5,123
Compensation for loss of office as a director	5,890	—
Audit fees and expenses	22,272	21,091

3. Bank and loan interest

	1966	1965
	£	£
Debenture stocks	178,249	179,887
Convertible unsecured loan stock	138,375	58,855
Bank and other loans	240,478	264,449
	£557,102	£503,191

4. Taxation

	1966	1965
Based on the profit for the year —	£	£
United Kingdom (after relief of £38,000 (£85,000) for investment allowances)		
Corporation tax	259,376	147,710
Income tax	(9,357)	135,917
Double taxation relief..	(168,688)	(193,331)
Overseas (including £177,484 (£119,101) on unremitted profit of European limited partnership)	742,179	871,426
	823,510	961,722
Less adjustments in respect of previous years (including in 1965 a release of £54,500 from taxation deferred by capital allowances arising from a change in the rate of taxation)	38,080	80,584
	£785,430	£881,138

5. Land, buildings, plant and machinery

	At 31st December 1965	Capital expenditure	Sales, disposals and adjustments	Depreciation for year	At 31st December 1966
(a) Group	£000	£000	£000	£000	£000
Land and buildings: Cost	3,488	326	23	—	3,791
Depreciation	1,098	—	5	75	1,168
Net	2,390	326	18	75	2,623
Plant and machinery: Cost	8,042	882	247	—	8,677
Depreciation	4,550	—	99	504	4,955
Net	3,492	882	148	504	3,722
Patents, patterns and tools at cost, less amounts written off	316	—	—	—	305
Total	6,198	1,208	166	579	6,650
(b) Company					
Land and buildings: Cost	2,160	187	4	—	2,343
Depreciation	541	—	1	45	585
Net	1,619	187	3	45	1,758
Plant and machinery: Cost	18	26	(23)	—	67
Depreciation	11	—	(10)	6	27
Net	7	26	(13)	6	40
Total	1,626	213	(10)	51	1,798

Included in land and buildings are leaseholds (long) of £225,000 (£216,000) for the group and £184,000 (£188,000) for the company.

Commitments for capital expenditure at the balance sheet date, are estimated at £311,000 (£528,000) for the group and at £14,000 (£80,000) for the company.

Investment grants amounting to £69,000 have been deducted in arriving at the capital expenditure on group plant and machinery in 1966.

6. Net current assets of the group

Stock and work in progress is included in the accounts at the lower of cost and net realisable value.

Debtors include the sum of £641,946 (£720,720) not due within one year (mainly exports).

Bank advances include secured advances to overseas subsidiaries of £402,831 (£360,258).

Taxation includes United Kingdom corporation tax of £89,724 (£89,600) payable 1st January 1968.

7. Reserves

	Group		Company	
	Capital	Revenue	Capital	Revenue
	£	£	£	£
Balances — 31st December 1965	1,815,910	5,137,429	1,216,812	2,096,584
Retained profit 1966		261,476		103,355
Dividend from a subsidiary out of prior years' profits				565,362
Transfer of net unremitted profit for 1966 attributable to minority investment in European limited partnership	147,736	(147,736)	147,736	(147,736)
Other adjustments arising on consolidation	6,484	(21,917)		
Balances — 31st December 1966	£1,970,130	£5,229,252	£1,364,548	£2,617,565

Capital reserves include £825,551 (£825,551) in respect of share premium account.

8. Loans

	1966	1965
	£	£
$5\frac{3}{4}$% Debenture stock 1979/84	1,358,375	1,424,875
$6\frac{1}{2}$% Debenture stock 1981/86	1,438,950	1,498,950
$6\frac{3}{4}$% Convertible unsecured loan stock 1982/85	2,050,000	2,050,000
	£4,847,325	£4,973,825

The debenture stocks are secured by a first floating charge on the assets of the company. The company is required to apply the sum of £30,000 annually in redemption of its $5\frac{3}{4}$ per cent debenture stock 1979/84 at par by drawings or by purchase in the open market at a price not exceeding £105, together with a further sum of £30,000 in respect of its $6\frac{1}{2}$ per cent debenture stock 1981/86 on the same terms.

The £2,050,000 $6\frac{3}{4}$ per cent convertible unsecured loan stock 1982/85 may, at the option of the stockholders, be converted into £1 ordinary stock units of the company on 31st July in each of the years 1968 to 1971 inclusive; the number of ordinary £1 stock units issued for each £100 of the stock converted will be 44 (45/5d. per unit) in 1968, 42 (47/7d. per unit) in 1969, 40 (50/- per unit) in 1970 and 38 (52/8d. per unit) in 1971. The company may redeem the whole or any part of the issue on or after 31st March 1982, by drawings at par and, at any time, may purchase any of the stock in the open market or by private treaty at a price not exceeding £105.

9. Contingent liabilities

There were contingent liabilities in subsidiaries of £352,698 (£314,000) in respect of trade bills discounted. The company had guaranteed bank overdrafts of subsidiaries amounting to £646,517 (£549,474).

10. Rates of exchange

Overseas assets and liabilities have been expressed in sterling at the exchange rates ruling at 31st December 1966.

11. Stock options by a subsidiary

Baker Perkins Inc. has granted options to certain of its senior executives to subscribe for 7,336 of its common shares (including 2,668 shares to one executive who is a director of Baker Perkins Holdings Limited) at $ 6.65 per share, being the market value of the shares at the option dates.

Report of the auditors

to the members of Baker Perkins Holdings Limited

In our opinion the foregoing accounts and notes give, so far as concerns members of the company, a true and fair view of the state of affairs as at 31st December 1966 and the profit for the year ended on that date of the company and of the group consisting of the company and its subsidiaries.

The accounts of the European limited partnership referred to in note 1 have been audited by a European firm.

We have obtained all the information and explanations which we considered necessary. In our opinion the company has kept proper books and the balance sheet of the company, which is in agreement with them and with the said information and explanations, gives with the group accounts and notes in the prescribed manner the information required by the Companies Act, 1948.

3 Frederick's Place,
Old Jewry,
London, E.C.2.
28th April 1967.

PRICE WATERHOUSE & CO.
Chartered Accountants.

Baker-Perkins Holdings Limited

Group financial statistics for the past ten years

(Amounts are expressed in thousands of pounds)

	1957	1958	1959
Operations			
Sales	13,780	14,300	15,450
Depreciation	452	379	360
Interest payable	133	107	123
Profit before taxation	1,094	894	772
Taxation	634	464	293
Profit attributable to stockholders of Baker Perkins Holdings Limited	400	416	418
Financial position			
Fixed assets less depreciation	3,119	3,770	3,878
Net current assets, excluding bank advances	6,107	7,089	8,105
Total net assets, excluding bank advances	9,226	10,859	11,983
Loans and bank advances	1,633	1,610	2,195
Deferred taxation	316	274	182
Minority interests in subsidiaries	975	1,522	1,603
Preference stock	420	420	420
Ordinary stockholders' equity	5,882	7,033	7,583
Total funds employed	9,226	10,859	11,983
Rate of profit, before taxation and interest, on funds employed	13·3%	9·2%	7·5%
Ordinary stockholders			
Issued capital	1,769	2,201	2,357
Net book value of £1 stock unit	66/6d	63/11d	64/4d
Gross dividend per £1 stock unit	2/0d	2/0d	2/0d
Number of employees	5,730	6,280	6,430

1960	1961	1962	1963	1964	1965	1966
18,000	23,700	22,750	22,945	25,180	28,168	28,677
366	474	493	487	492	550	579
164	359	375	380	373	503	557
1,193	1,294	844	816	1,659	2,106	1,736
563	598	347	500	848	881	785
530	686	501	226	674	1,027	749
4,348	5,652	6,100	6,126	6,412	7,059	7,655
9,006	12,504	13,051	12,535	13,751	14,485	14,648
13,354	18,156	19,151	18,661	20,163	21,544	22,303
3,099	5,870	6,775	6,392	7,047	7,927	8,318
207	482	561	501	792	510	518
1,713	1,642	1,635	1,691	1,550	1,632	1,746
420	420	420	420	420	420	420
7,915	9,742	9,760	9,657	10,354	11,055	11,301
13,354	18,156	19,151	18,661	20,163	21,544	22,303
10·2%	9·1%	6·4%	6·4%	10·1%	12·1%	10·3%
3,072	3,993	4,019	4,027	4,092	4,102	4,102
51/6d (Scrip issue 1 for 4)	48/10d	48/7d	47/11d	50/7d	53/11d	55/2d
2/3d	2/3d	2/3d	2/3d	2/3d	2/3d	2/3d
7,020	9,850	9,920	9,080	9,200	9,410	9,190

Baker Perkins Holdings Limited

The group's income for 1966 and how it was used

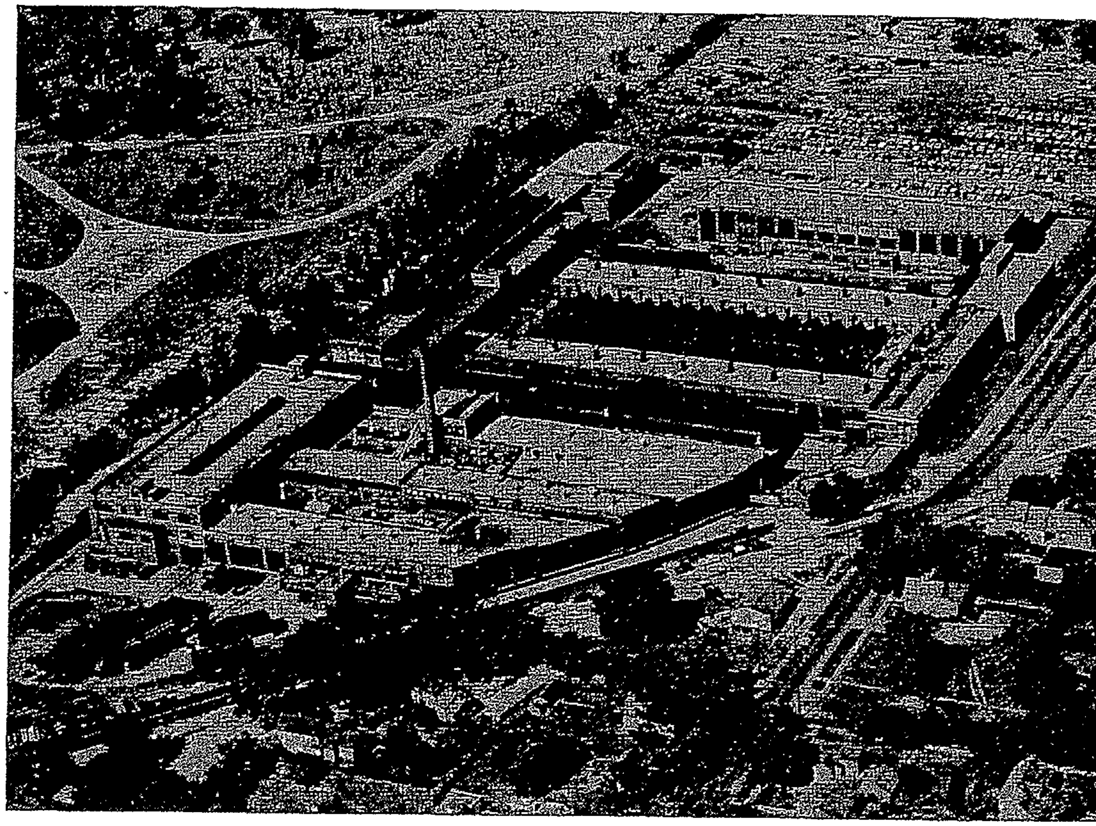
(Amounts are expressed in thousands of pounds)

	1966 £000	1966 % of total	1965 % of total
Sales to customers outside the group were	28,677	98·6	98·5
and with our income from investments in associated companies of	413	1·4	1·5
total income was	£29,090	100·0%	100·0%
We used this income for—			
materials, services and other expenses	15,530	53·4	54·4
wages, salaries and employee benefits	10,688	36·7	34·6
depreciation of fixed assets	579	2·0	1·9
interest on borrowed money	557	1·9	1·8
United Kingdom and foreign taxation on profits	785	2·7	2·4
dividends to stockholders	488	1·7	1·7
dividends to minority stockholders of subsidiaries	97	0·3	0·3
investment in business assets	366	1·3	2·9
and total used was	£29,090	100·0%	100·0%

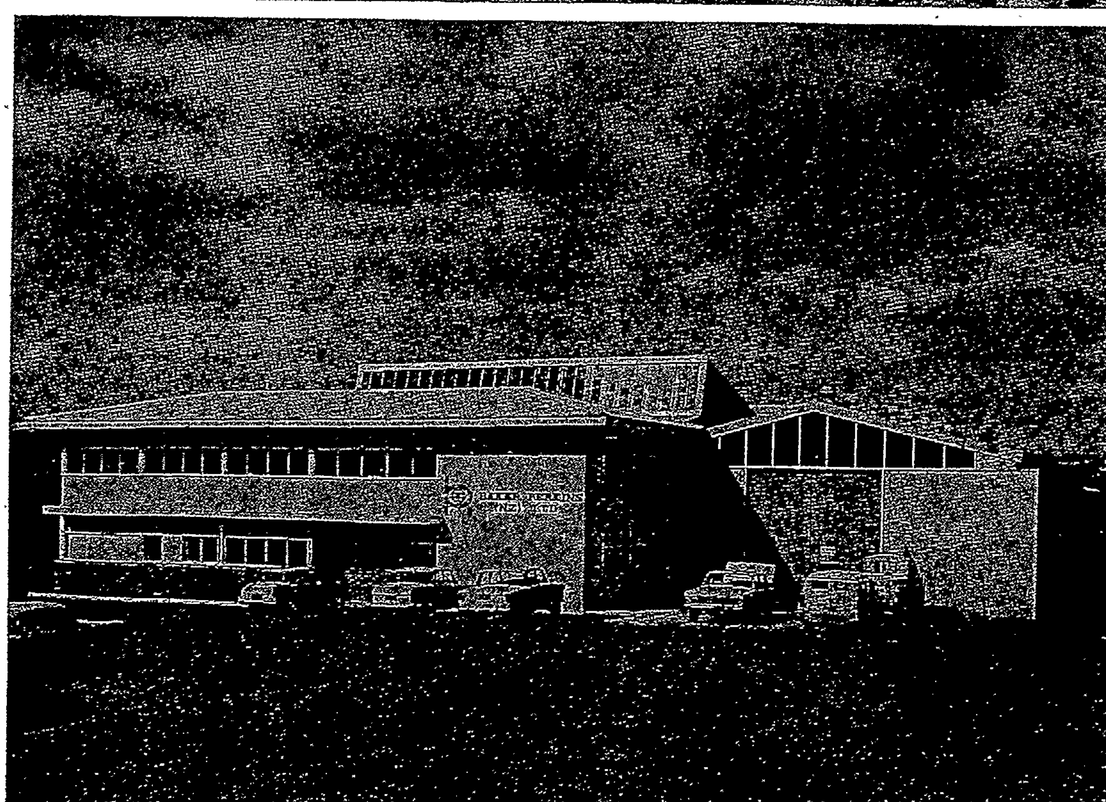
Note:

1965 percentages of taxation and dividends have been adjusted for comparison.

The 22 acre plant site of Baker Perkins Inc. at Saginaw, Michigan, U.S.A.



Baker Perkins (N.Z.) Limited at Takapuna, Auckland, New Zealand.



Subsidiaries, branches and associates

(Ordinary capital wholly owned unless otherwise stated)

SUBSIDIARIES — UNITED KINGDOM

THE ALLIANCE FOUNDRY CO. LTD., Luton	Castings
BAKER PERKINS LTD., Peterborough and Hebburn-on-Tyne	Food, printing, chemical and foundry machinery
BAKER PERKINS DEVELOPMENTS LTD., Twyford, Berks.	Development engineers
BAKER PERKINS (EXPORTS) LTD., London	Machinery exporters
BAKER PERKINS JAXONS LTD., Glasgow	Laundry machinery
DOUGLAS-ROWNSON LTD., Basingstoke	Food processing, mechanical handling and refrigeration plant
FORMMASTER LTD., London (80%)	Printing machinery
JAMES HALLEY & SONS LTD., West Bromwich	Printing machinery
ROSE FORGROVE LTD., Leeds, Gainsborough, Gateshead, Saxilby and Skegness	Wrapping and packaging machinery, flexible bearings, gears and gear boxes
STEELE & COWLISHAW LTD., Hanley, Stoke-on-Trent and Twyford, Berks.	Paint, ink and chemical machinery

SUBSIDIARIES — OVERSEAS

Australia	BAKER PERKINS PTY. LTD., Melbourne	Import and manufacture of group products
Canada	CANADIAN BAKER PERKINS LTD., Brampton, Ontario (66⅔% owned by Baker Perkins Inc.)	Food, chemical and laundry machinery
Germany	FORGROVE G.m.b.H., Cologne	Import of packaging, confectionery, printing and laundry machinery
New Zealand	BAKER PERKINS (N.Z.) LTD., Auckland	Import and manufacture of group products
South Africa	BAKER PERKINS SOUTH AFRICA (PTY.) LTD., Johannesburg	Import and manufacture of group products
Switzerland	BAKER PERKINS A.G., Zug	Investment company
	BAKER PERKINS FAR EAST A.G., Zug	Investment company
U.S.A.	BAKER PERKINS INC., Saginaw, Michigan (67%)	Food and chemical machinery

BRANCHES — OVERSEAS

Argentina	BAKER PERKINS (EXPORTS) LTD., Buenos Aires	Import of group products
France	BAKER PERKINS S.A., Paris	Import of group products
India	BAKER PERKINS (EXPORTS) LTD., Bombay	Import of group products
Japan	BAKER PERKINS FAR EAST A.G., Tokyo	Import of group products
Sweden	BAKER PERKINS (EXPORTS) LTD., Stockholm	Import of group products

ASSOCIATED COMPANIES (See note 1 on the accounts)

United Kingdom	GRAHAM-ENOCK MANUFACTURING CO. LTD., London (33·7%)	Dairy machinery
Europe	LIMITED PARTNERSHIP. (26% and 100% of preference capital)	Food and chemical machinery
Australia	GORDON BROTHERS PTY. LTD., West Brunswick, Victoria (40% and 100% of	Food and refrigeration machinery