Pilgrim Food Group Limited

Abbreviated annual report

for the year ended
30 September 1997

Registered number 3168607



Pilgrim Food Group Limited

Abbreviated annual report for the year ended 30 September 1997

	Pages
Directors and advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Auditors' report	5 - 6
Profit and loss account	7
Balance sheet	8
Cash flow statement	9
Notes to the financial statements	10 - 19

Directors and advisers

Directors

W J Mapstone (Chairman)
P N G Smith
J Rowell
R M Peycke

Auditors

Coopers & Lybrand
8 Princes Parade
St Nicholas Place
Liverpool
L3 1QJ

Solicitors

Nabarro Nathanson
1 South Quay
Victoria Quays
Wharfe Street
Sheffield

Bankers

National Westminster Bank plc
P O Box 944
34 King Edward Street
Hull
HU1 3YN

Secretary and registered office

P Townend
Unit 26
Brighton Street Industrial Estate
Freightliner Road
Hull
HU3 4UN

Directors' report for the year ended 30 September 1997

The directors present their annual report together with the financial statements for the year to 30 September 1997.

Principal activities

The principal activity of the company is to act as a holding company and to manage the subsidiaries of the group.

Review of the business

On 2 May 1997, the company acquired 50% of the issued share capital of Pasta Nova Limited (later renamed Pilgrim Pasta Limited) for a total consideration of £50 with no goodwill arising. A loan of £244,950 was made to provide working capital for the business.

On 20 September 1997, the remaining 50% of the issued share capital was acquired for a total consideration of £50, with goodwill arising of £120,545.

Further details are given in note 14.

Post balance sheet event

On 1 October 1997, the company purchased the whole of the issued share capital of Pearts Bakery Limited (and property company) for £350,000. Goodwill of approximately £150,000 arose on the transaction.

Results and dividends

The profit for the financial period after tax amounted to £294,203 (1996: £242,239) including dividends received from group companies.

The directors recommend the payment of a dividend of £238,269 (1996: £138,700), with an appropriation in respect of the amortisation of non-equity share issue costs of £24,816 (1996: £6,796).

Directors

The directors of the company during the period and their interests in the ordinary share capital of the company at the beginning of the year, or date of their appointment, if later, and the end of the year were as follows:

	30 September 1997	30 September 1996 or date of appointment
Mr W J Mapstone	**138,700**	138,700
Mr P N G Smith	**58,333**	58,333
Mr J Rowell	**19,600**	19,600
Mr R M Peycke (appointed 18 December 1996)	**-**	-

None of the directors had an interest in the share capital of any of the subsidiary companies at any time during the year, except for Messrs Mapstone, Smith and Rowell who owned 138,700, 58,333 and 19,600 ordinary shares, respectively, in the former holding company, P F (Hull) Limited, before it was acquired by the company.

Mr J Rowell received 19,600 shares from Pilgrim Foods Employee Benefit Trust last year and received payment for his services from Chaucer Foods Limited. At 30 September 1997 the outstanding debt to the Trust was £4,200 which will be settled during the year ending 30 September 1998 following further payment for his services.

Research and development

Product improvement and development remains important in order to satisfy customer and market demands, and is an integral part of the group's marketing strategy.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the Board

P. Townend

P Townend
Secretary

7 July 1998

Statement of directors' responsibilities

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements 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.

Report to the auditors to the directors of Pilgrim Food Group Limited under paragraph 24 of Schedule 8 to the Companies Act 1985

We have examined the abbreviated financial statements on pages 7 to 19 together with the financial statements of Pilgrim Food Group Limited prepared under section 226 of the Companies Act 1985 for the period ended 30 September 1997.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated financial statements in accordance with Schedule 8 of the Companies Act 1985. It is our responsibility to form an independent opinion as to the company's entitlement to the exemptions claimed in the directors' statement on page 8 and whether the abbreviated financial statements have been properly prepared in accordance with that schedule.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the annual financial statements, that the company is entitled to the exemptions and that the abbreviated financial statements have been properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the annual financial statements.

Opinion

In our opinion the company is entitled to the exemptions conferred by Section B of Part III of Schedule 8 to Companies Act 1985 and the abbreviated financial statements have been properly prepared in accordance with that Schedule.

Other information

We reported as auditors of Pilgrim Food Group Limited to the members on 28 May 1998 on the company's annual financial statements prepared under section 226 of the Companies Act 1985 and our report has as follows:

"Report of the auditors to the members of Pilgrim Food Group Limited

We have audited the financial statements on pages 6 to 18 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility for form an independent opinion, based on our audit, on those statements and report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinions

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 September 1997 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In our opinion the company is entitled for the year ended 30 September 1997 to the exemption conferred by Section 248 of the Companies Act 1985 from the requirement to prepare group accounts."

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Liverpool
7 July 1998

Profit and loss account for the year ended 30 September 1997

	Notes	1997 £	7 months ended 30 September 1996 £
Gross profit	1	**344,548**	74,104
Income from shares in group undertakings		**250,000**	250,000
Interest payable and similar charges	3	**(278,881)**	(81,865)
Profit on ordinary activities before taxation	4	**315,667**	242,239
Tax on profit on ordinary activities	5	**(21,464)**	-
Profit for the financial period		**294,203**	242,239
Appropriations	6	**(263,085)**	(145,496)
Retained profit for the financial period	11	**31,118**	96,743

All results relate to continuing activities.

The company has no recognised gains or losses other than the profit for the period and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

Pilgrim Food Group Limited

Balance sheet at 30 September 1997

	Notes	1997 £	1997 £	1996 £	1996 £
Fixed assets					
Investments	7		**11,008,853**		11,008,753
Fixed assets	8		**90,400**		-
			11,099,253		11,008,753
Current assets					
Debtors	9	**280,258**		734,062	
Cash		**1,925**		-	
		311,938		734,062	
Creditors					
Amounts falling due within one year	10	**(5,304,440)**		(5,092,143)	
Net current liabilities			**(5,022,257)**		(4,358,081)
Total assets less current liabilities			**6,076,996**		6,650,672
Creditors					
Amounts falling due after more than one year	10		**(1,847,102)**		(2,476,712)
			4,229,894		4,173,960
Capital and reserves					
Called up share capital	11		**412,190**		412,190
Share premium account	12		**3,658,231**		3,658,231
Profit and loss account	12		**159,473**		103,539
Total shareholders' funds	13		**4,229,894**		4,173,960
Equity shareholders' funds	13		**1,558,908**		1,359,144
Non equity shareholders' funds	13		**2,670,986**		2,814,816
			4,229,894		4,173,960

Advantage has been taken of the exemptions for medium sized companies conferred by Section B of Part III of Schedule 8 to the Companies Act 1985, on the grounds that in the directors' opinion, as it meets the conditions, the company is entitled to benefit from those exemptions as a medium sized company.

W J Mapstone
Director
7 July 1998

Cash flow statement for the year ended 30 September 1997

	Notes	1997 £	1997 £	7 months ended 30 September 1996 £	7 months ended 30 September 1996 £
Net cash outflow from operating activities	15		**1,193,026**		(1,610,271)
Returns on investments and servicing of finance					
Interest paid		**(252,882)**		(74,745)	
Dividend paid		**(257,719)**		-	
			(510,601)		(74,745)
Capital expenditure and financial investment					
Payments to acquire fixed assets			**(30,400)**		-
Acquisitions and disposals					
Payments to acquire investments			**(100)**		(1,330,874)
Financing					
(Repayment)/inception of loans		**(650,000)**		3,175,000	
Issue costs incurred		**-**		(159,110)	
			(650,000)		3,015,890
Increase in cash	16		**1,925**		-

Notes to the financial statements for the year ended 30 September 1997

1 Principal accounting policies

The following accounting policies have been used consistently in dealing with items which are considered material to the company's affairs.

Accounting convention

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

Consolidated accounts

The company is entitled to the exemption conferred by Section 248 of the Companies Act 1985 from the requirement to prepare group accounts.

Turnover

Turnover represents management charges to subsidiary undertakings.

Investments

Investments are included at cost less provision for permanent diminution in value.

Depreciation

Tangible fixed assets are written down over their estimated useful lives on a straight line basis at the following annual rates:

Plant and equipment	15%

Deferred taxation

Provision is made for deferred taxation, using the liability method, to the extent that it is probable that a liability will crystallise. At the year end, there was no deferred tax provided or unprovided.

2 Directors' remuneration

The directors of the company were also directors of other group companies, with their emoluments being paid by a subsidiary undertaking, Chaucer Foods Limited. It is not possible to make an accurate apportionment of their emoluments in respect of each of the group companies. Accordingly, the above details include no emoluments.

The total emoluments are disclosed in the financial statements of Chaucer Foods Limited.

3 Interest payable and similar charges

	1997 £	7 months ended 30 September 1996 £
Interest payable and similar charges comprised:		
Interest on other loans repayable within five years	**252,882**	74,745
Amortisation of the costs of raising loan finance	**25,999**	7,120
	278,881	81,865

4 Profit on ordinary activities before taxation

	1997 £	7 months ended 30 September 1996 £
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration for:		
audit	**500**	500
other services	**-**	-

5 Tax on profit on ordinary activities

	1997 £	7 months ended 30 September 1996 £
The tax charge for the period represented:		
Corporation tax on the profit for the period at 32%	**21,464**	-

6 Appropriations

	1997 £	1996 £
Preference share dividend	**168,416**	-
"A" ordinary dividend	**69,853**	-
Ordinary dividend proposed of £1 per share, waived for 129,634 ordinary shares	**-**	138,700
Amortisation of non-equity share issue costs	**24,816**	6,796
	263,085	145,496

7 Fixed assets- investments

	Unlisted subsidiary undertakings £
Cost	
At 30 September 1996	11,008,753
Addition	100
At 30 September 1997	11,008,853
Amounts written off	
At 30 September 1996 and 1997	-
Net book amount	
At 30 September 1997	11,008,853
At 30 September 1996	11,008,753

Details of the company's subsidiary undertakings, all wholly owned and incorporated in Great Britain, are as follows:

Name of the company	Principal activity
Chaucer Foods Limited	Manufacture of crumb based food products
Pilgrim Employee Benefit Trust (Trustees) Limited	Trustee of Pilgrim Foods Employee Benefit Trust
Pearts Foods Limited	Manufacture of croutons and other bread related products
Pilgrim Pasta Limited	Manufacture of pasta
P F (Hull) Limited	Dormant
Becksend Limited	Dormant
Eurotaste Limited	Dormant
Pilgrim Foods (Defunct) Limited	Dormant

The net assets/(liabilities) at the year end and profit for the financial year/period then ended, as reported in the individual financial statements for each company, were as follows:

	Net assets/ (liabilities) £	Profit/ (loss) £
Chaucer Foods Limited	1,289,309	952,279
Pearts Foods Limited	320,827	52,172
Pilgrim Pasta Limited	(240,991)	(241,091)
Pilgrim Employee Benefit Trust (Trustees) Limited	100	-
P F (Hull) Limited	2,527,204	-
Becksend Limited	(132,244)	-
Eurotaste Limited	(36,746)	-
Pilgrim Foods (Defunct) Limited	1,400,160	-

The company has taken advantage under Section 248 of the Companies Act 1985, as the group qualifies as a medium sized group, and has not prepared consolidated accounts.

Details of the acquisition made during the period are given in note 14.

8 Fixed assets

	Plant and machinery £
Additions and balance at 30 September 1997	**90,400**
Net book value at 30 September 1997	**90,400**

9 Debtors

	1997 £	1996 £
Amounts due from group undertakings	**279,575**	733,245
Other debtor	**683**	817
	280,258	734,062

10 Creditors

	Amounts falling due within one year		Amounts falling due after more than one year	
	1997	1996	**1997**	1996
	£	£	**£**	£
Bank loan				
- balance	**650,000**	650,000	**1,875,000**	2,525,000
- less issue costs carried forward	**(20,390)**	(25,999)	**(27,898)**	(48,288)
Amounts owed to group undertakings	**4,492,309**	4,329,442		-
Corporation tax creditor	**3,271**	-	-	-
Dividend payable	**119,250**	138,700		-
Accruals	**60,000**	-	-	-
	5,304,440	5,092,143	**1,847,102**	2,476,712

The bank loan is secured by a fixed and floating charge over the assets of the company.

	1997	1996
	£	£
The bank loan is repayable and the issue costs are amortised as follows:		
Within one year	**629,610**	624,001
Between one and two years	**635,220**	629,610
Between two and five years	**1,211,882**	1,847,102

Interest on the bank loan is payable at a rate based principally on LIBOR plus 2.0%. LIBOR has been capped at 7% per annum until March 2000.

11 Called up share capital

	1997	1996
		£
Authorised and allotted:		
268,334 ordinary shares of £1 each	**268,334**	268,334
125,118 "A" ordinary shares of £1 each	**125,118**	125,118
1,873,846 preference shares of 1p each	**18,738**	18,738
	412,190	412,190

Dividends

The preference shares receive a fixed cumulative preferential dividend of 9 pence per share per annum accruing from 1 October 1996 and payable half yearly.

The "A" ordinary shareholders receive a fixed cumulative preferential dividend of 55.83 pence per share per annum, accruing from 1 October 1996 and payable half yearly. In addition, they receive a cumulative preferential dividend of a sum which when added to the fixed dividend is equal to 7% of the profit before tax, as adjusted according to the provisions of the Company's Articles, for each financial year commencing with the financial year beginning 1 October 1999. Finally, they receive a sum equal to the excess of the directors' emoluments above amounts specified in the Company's Articles.

Redemption and conversion

The preference shares are due to be redeemed as follows:

(a) on the following dates

30 September 2000	374,769 shares
30 September 2001	374,769 shares
30 September 2002	374,769 shares
30 September 2003	374,769 shares
30 September 2004	374,770 shares

(b) immediately on a sale or listing of the company, unless the holders of 75% of the preference shares give notice to the contrary;

(c) by the company having prior written consent of the holders of 75% of the preference shares and the company's bankers, provided there are no dividend arrears.

The sum to be paid on redemption of the preference shares is the subscription price for each share, and any arrears of dividend calculated to the date of redemption.

The "A" ordinary shares may be converted at any time into a like number of ordinary shares, effected by notice in writing by the holders of 75% of the "A" ordinary shares, with dividends paid to the date of conversion.

Winding up

On a return of assets on liquidation or capital reduction or otherwise, the assets of the company remaining after the payment of its liabilities shall be applied as follows:

(a) first in paying to the holders of the preference shares £1 per share together with a sum equal to any dividend arrears or accruals calculated to the date of the return of capital;

(b) second in paying to the holders of the "A" ordinary shares and ordinary shares £6.20 per share together with a sum equal to any arrears or accruals of the dividends on the "A" ordinary shares or ordinary shares respectively calculated to the date of the return of capital; and

(c) the balance of such assets shall be distributed amongst the holders of the "A" ordinary shares and ordinary shares (pari passu as if the same constituted one class of share) in proportion to the amounts paid up or credited as paid up on the "A"ordinary shares and ordinary shares held by them respectively.

Voting

The preference shareholders shall not be entitled to vote at the general meeting of the company.

The "A" ordinary shareholders shall have the same voting rights in general meetings as the ordinary shareholders.

Classification

The preference shares have been classified as non-equity shares, in accordance with Financial Reporting Standard 4, due to their rights to dividends, irrespective of the performance of the company and its asset strength.

12 Reserves

	Share premium account £	Profit and loss account £
Balance at 30 September 1996	3,658,231	103,539
Retained profit for the period	-	31,118
Appropriation in respect of preference share issue costs added back	-	24,816
At 30 September 1997	3,658,231	159,473

13 Reconciliations of movements in shareholders' funds

	Equity £	Non-equity £	Total £
Balance at 30 September 1996	1,359,144	2,814,816	4,173,960
Amortisation of preference share issue costs	(24,816)	24,816	-
Profit for the financial period	294,203	-	294,203
Dividend proposed/paid	(69,623)	(168,646)	(238,269)
Balance at 30 September 1997	**1,558,908**	**2,670,986**	**4,229,894**

14 Acquisition

On 15 May 1997 the company purchased 50% of the issued share capital of Pasta Nova Limited (now renamed Pilgrim Pasta Limited) for a consideration of £50. At that time, the total net assets of the company were £100 and hence no goodwill arose.

On 20 September 1997 the remaining 50% was acquired, and details of the fair values of the assets and liabilities of the company were as follows:

	Book and Fair value £
Fixed assets	1,151,365
Stock	52,814
Debtors	223,168
Cash at bank and in hand	34,805
Creditors due within one year	(717,315)
Creditors due after more than one year	(985,828)
Total net liabilities	(240,991)
50% acquired	(120,495)
Goodwill arising	120,545
Consideration, satisfied by cash	50

Pasta Nova Limited was incorporated on 7 February 1997 and did not trade before its acquisition by Pilgrim Food Group Limited.

15 Reconciliation of operating profit to net cash outflow from operating activities

	1997 £	1996 £
Operating profit	**344,548**	74,104
Decrease/(increase) in debtors	**453,804**	(734,062)
Increase in creditors	**-**	4,329,442
Non cash transactions with group undertakings	**394,674**	(5,279,755)
	1,193,026	(1,610,271)

16 Reconciliation of net cash flow to movement in net debt

	1997 £	1996 £
Increase in cash	**1,925**	-
Repayment/(inception) of loans	**650,000**	(3,175,000)
Change in net debt	**651,925**	(3,175,000)
Net debt at start of year	**(3,175,000)**	-
Net debt at end of year	**(2,523,075)**	(3,175,000)

17 Analysis of changes in net debt

	At start of year £	Cash flow £	Other changes £	At end of year £
Cash at bank and in hand	-	1,925	-	**1,925**
Bank loans				
Due within one year	(650,000)	650,000	(650,000)	**(650,000)**
Due after one year	(2,525,000)	-	650,000	**(1,875,000)**
	(3,175,000)	651,925	-	**(2,523,075)**

18 Contingencies

Pilgrim Food Group Limited forms part of a cross guarantee arrangement with other group companies under composite cross guarantees with the NatWest Bank dated 14 January 1994 and 20 February 1995.

19 Post balance sheet event

On 1 October 1997, the company purchased the whole of the issued share capital of Pearts Bakery Limited (and property company) for £350,000. Goodwill of approximately £150,000 arose on the transaction.

20 Related party transactions and controlling party

There were no related party transactions during the period.

Mr P Townend, a member of the group's senior management, continues to hold 7,167 ordinary shares in the company, with no transactions taking place during the period.

The company has no overall controlling party.