

Reo.

**PILGRIM FOOD GROUP LIMITED
AND SUBSIDIARY COMPANIES**

ANNUAL REPORT

YEAR ENDED 31 MARCH 2000

Registered Number : 3168607



PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES

COMPANY INFORMATION

Directors	W J Mapstone (Chairman) P N G Smith J Rowell A C Rouse (resigned 31/3/2000) S Dunn (appointed 31/3/2000)
Secretary	P Townend
Company Number	3168607
Registered Office	Brighton Street Industrial Estate Freightliner Road Hull HU1 3YN
Auditors	PKF Pannell House 6 Queen Street Leeds LS1 2TW
Solicitors	Lupton Fawcett Yorkshire House Greek Street Leeds LS1 5SX
Bankers	National Westminster Bank plc P O Box 944 34 King Edward Street Hull HU1 3YN

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES

CONTENTS

	Page
DIRECTORS' REPORT	1
STATEMENT OF DIRECTORS' RESPONSIBILITIES	2
AUDITORS' REPORT	3
CONSOLIDATED PROFIT AND LOSS ACCOUNT	4
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	5
CONSOLIDATED BALANCE SHEET	6
BALANCE SHEET	7
CASH FLOW STATEMENT	8
NOTES TO THE FINANCIAL STATEMENTS	9 - 24

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
DIRECTORS' REPORT
YEAR ENDED 31 MARCH 2000

The directors submit their report and the financial statements for the year ended 31 March 2000.

Results and dividends

The profit for the year, after taxation, amounted to £1,275,000 (18 month period ended 31 March 1999 - £640,000).

A dividend of £340,000 has been paid in the year (18 month period ended 31 March 1999 - £238,000) and the directors have accrued a dividend on preference shares of £51,000 (18 month period ended 31 March 1999 - £Nil)

Principal activity and review of business

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

The directors consider the financial position of the group and company to be satisfactory at 31 March 2000 and look forward to the forthcoming year with cautious optimism.

The group's principal activities involve the manufacture of food ingredients.

Directors

The directors who served during the year and their interests in the company's issued share capital at the balance sheet date and at the start of the year (or date of appointment, if later) were:

	Ordinary £1 shares	
	2000	1999
W J Mapstone (Chairman)	212,314	212,314
P N G Smith	92,705	92,705
J Rowell	31,149	31,149
A C Rouse (resigned 31/3/2000)	-	-
S Dunn (appointed 31/3/2000)	-	-

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

The auditors, PricewaterhouseCoopers, resigned during the year and PKF were appointed.

PKF will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

By order of the board

P. Townsend

Secretary

P Townsend

21 December 2000

**PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY
COMPANIES
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 the group, and of the profit or loss of the group for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 the group, 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.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES**

We have audited the financial statements on pages 4 to 24 which have been prepared under the accounting policies set out on page 9 to 10.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2000, and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

LEEDS

4 January 2001

 PKF

Registered Auditors

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2000

	Notes	2000 £000	18 month period ended 31 March 1999 £000
TURNOVER			
Continuing operations		28,511	19,030
Acquisition		-	3,015
	2	<u>28,511</u>	<u>22,045</u>
Cost of sales		(21,299)	(13,748)
GROSS PROFIT		<u>7,212</u>	<u>8,297</u>
Distribution costs		(1,211)	(1,536)
Administrative expenses		(2,782)	(4,974)
OPERATING PROFIT			
Continuing operations		3,219	1,624
Acquisition		-	163
	3	<u>3,219</u>	<u>1,787</u>
Interest receivable and similar items	6	-	15
Interest payable and similar items	7	(998)	(601)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>2,221</u>	<u>1,201</u>
TAXATION	8	(946)	(561)
PROFIT FOR THE FINANCIAL YEAR		<u>1,275</u>	<u>640</u>
DIVIDENDS PAID	9	(340)	(238)
Other appropriations	10	(51)	(27)
		<u>884</u>	<u>375</u>

All amounts relate to continuing operations.

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 MARCH 2000

	2000 £000	18 month period ended 31 March 1999 £000
Profit for the financial year	1,275	640
Exchange differences	682	-
Total recognised gains and losses relating to the year	<u><u>1,957</u></u>	<u><u>640</u></u>

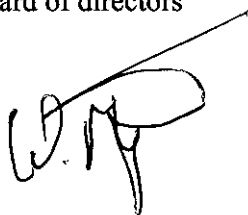
PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET
31 MARCH 2000

	Notes	2000 £000	1999 £000
FIXED ASSETS			
Intangible	11	9,351	9,901
Tangible	12	7,964	8,515
		<u>17,315</u>	<u>18,416</u>
CURRENT ASSETS			
Stocks	14	3,221	4,466
Debtors	15	4,466	4,610
Cash at bank and in hand		245	125
		<u>7,932</u>	<u>9,201</u>
CREDITORS: amounts falling due within one year	16	(9,699)	(9,354)
NET CURRENT LIABILITIES		<u>(1,767)</u>	<u>(153)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>15,548</u>	<u>18,263</u>
CREDITORS: amounts falling due after more than one year	17	(8,599)	(12,957)
PROVISIONS FOR LIABILITIES AND CHARGES	20	(457)	(380)
NET ASSETS		<u>6,492</u>	<u>4,926</u>
CAPITAL AND RESERVES (including non-equity interests)			
Called up share capital	21	659	659
Share premium account	22	3,986	3,986
Profit and loss account	22	1,847	281
SHAREHOLDERS' FUNDS	23	<u>6,492</u>	<u>4,926</u>

The financial statements were approved by the board on 21 December 2000

Signed on behalf of the board of directors

Director
W J Mapstone



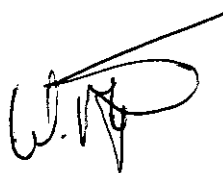
PILGRIM FOOD LIMITED
BALANCE SHEET
31 MARCH 2000

	Notes	2000 £000	1999 £000
FIXED ASSETS			
Investments	13	11,359	11,359
CURRENT ASSETS			
Debtors	15	-	19
Cash at bank and in hand		1	31
		<u>1</u>	<u>50</u>
CREDITORS: amounts falling due within one year	16	(6,271)	(5,357)
NET CURRENT LIABILITIES		<u>(6,270)</u>	<u>(5,307)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,089</u>	<u>6,052</u>
CREDITORS: amounts falling due after more than one year	17	(299)	(1,217)
NET ASSETS		<u><u>4,790</u></u>	<u><u>4,835</u></u>
CAPITAL AND RESERVES (including non-equity interests)			
Called up share capital	21	659	659
Share premium account	22	3,986	3,986
Profit and loss account	22	145	190
SHAREHOLDERS' FUNDS	23	<u><u>4,790</u></u>	<u><u>4,835</u></u>

The financial statements were approved by the board on 21 December 2000

Signed on behalf of the board of directors

Director
W J Mapstone



PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2000

	2000 £000	18 month period ended 31 March 1999 £000
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	3,219	1,787
Amortisation of intangible assets	550	395
Decrease/(increase) in debtors	200	(3,053)
Decrease/(increase) in stocks	1,245	(4,079)
(Decrease)/increase in creditors	(359)	4,501
Other non cash transactions	2,069	1,945
Net cash inflow from operating activities	<u>6,924</u>	<u>1,496</u>
 CASH FLOW STATEMENT (note 24)		
Net cash inflow from operating activities	6,924	1,496
Returns on investments and servicing of finance	(1,243)	(900)
Taxation	(815)	(404)
Capital expenditure	(1,478)	(1,513)
Acquisitions and disposals	-	(8,295)
Equity dividends paid	(95)	(70)
	<u>3,293</u>	<u>(9,686)</u>
Financing	<u>(2,206)</u>	<u>8,285</u>
Increase/(decrease) in cash	<u>1,087</u>	<u>(1,401)</u>
 Reconciliation of net cash flow to movement in net debt (note 25)		
Increase/(decrease) in cash in the period	1,087	(1,401)
(Increase in)/ repayment of loans	2,301	(9,233)
Change in net debt	<u>3,388</u>	<u>(10,634)</u>
Net debt at 1 April 1999	(12,414)	(1,780)
Net debt at 31 March 2000	<u>(9,026)</u>	<u>(12,414)</u>

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2000

1 ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Basis of consolidation

The financial statements of the company and its group undertakings have been consolidated to 31 March 2000. The profit and loss of the company is not presented as part of these financial statements as permitted by Section 230 of the Companies Act 1985.

(c) Turnover

Turnover represents sales at invoice value net of trade discounts allowed and value added tax.

(d) Intangible fixed assets

Goodwill arising on consolidation and other purchased goodwill is capitalised in the balance sheet and amortised over 20 years.

Goodwill on consolidation is measured as the difference between consideration paid and the fair value of the net assets acquired at the date of acquisition.

(e) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold buildings	2 %
Plant and equipment	15 %
Motor vehicles	25 %
Freehold land is not depreciated.	

(f) Finance and operating leases

Assets acquired under finance leases or hire purchase contracts are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding.

Operating lease rentals are charged in the profit and loss account on a straight line basis over the lease term.

(g) Investments

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

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2000

1 ACCOUNTING POLICIES

(h) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis, and includes all direct costs incurred and attributable production overheads. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal.

(i) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date and the net amount transferred to reserves. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction and the net amount is taken into account in arriving at the operating profit.

(j) Deferred taxation

Provision is made for deferred tax using the liability method to the extent that it is probable that a liability will crystallise.

(k) Pensions

The company operates a defined contribution pension scheme and the pension charge in the profit and loss account represents the amounts payable by the company to the fund in respect of the year.

(l) Research and development expenditure

Expenditure on research and development is charged in the profit and loss account in the year in which it is incurred.

2 TURNOVER

Turnover of the company represents management charges to subsidiary undertakings. Turnover amounted to **£503,033** (18 months ended 31 March 1999 - £962,686). Retained loss for the year was **£45,000** (18 months ended 31 March 1999 - £3,098).

Turnover of the group is analysed by geographical market as follows:

		18 month period ended 31 March
	2000	1999
	£000	£000
United Kingdom	9,895	9,989
European Union	14,510	11,051
Other	4,106	1,005
Total	<u>28,511</u>	<u>22,045</u>

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2000

3 OPERATING PROFIT

The operating profit is stated after charging:

	2000 £000	18 month period ended 31 March 1999 £000
Amortisation of goodwill	550	395
Depreciation of tangible fixed assets:		
- owned by the company	1,116	603
- held under finance leases or hire purchase contracts	144	158
Auditor's fees - Audit services	38	18
- Other services	16	13
Operating lease rentals:		
- plant & machinery	113	56
	<u> </u>	<u> </u>

4 DIRECTORS' EMOLUMENTS AND BENEFITS

The directors of the company were also directors of other group companies, with their emoluments being paid by a subsidiary undertaking, Chaucer Foods Limited.

Their remuneration, as disclosed in Chaucer Foods Limited in respect of the directors of Pilgrim Food Group Limited, is as follows:

	2000 £000	18 month period ended 31 March 1999 £000
Directors' emoluments	286	285
Pension costs	20	30
	<u> </u>	<u> </u>

The numbers of directors who were members of company pension schemes were:

	No	No
Money purchase schemes	5	5
	<u> </u>	<u> </u>

The number of directors who received shares or became entitled to receive shares under long term incentive schemes was NIL (18 month period ended 31 March 1999 - NIL).

The highest paid director received emoluments and benefits as follows:

	2000 £000	18 month period ended 31 March 1999 £000
Emoluments	194	172
Contributions to money purchase pension schemes	16	24
	<u> </u>	<u> </u>

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2000

5 STAFF COSTS

Staff costs, including directors' emoluments, were as follows:

		18 month period ended 31 March
	2000	1999
	£000	£000
Wages and salaries	5,360	2,999
Social security costs	1,218	483
Other pension costs	117	55
	<u>6,695</u>	<u>3,537</u>

The average monthly number of employees, including executive directors, during the year was:

	No.	No.
Production	359	161
Administration	40	19
	<u>399</u>	<u>180</u>

6 INTEREST RECEIVABLE AND SIMILAR ITEMS

		18 month period ended 31 March
	2000	1999
	£000	£000
Other interest receivable	-	15
	<u>-</u>	<u>15</u>

7 INTEREST PAYABLE AND SIMILAR ITEMS

		18 month period ended 31 March
	2000	1999
	£000	£000
Bank loans and overdrafts	838	517
Finance charges under finance leases and hire purchase contracts	85	56
Amortisation of costs of raising loan finance	75	28
	<u>998</u>	<u>601</u>

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2000

8 TAXATION

	2000 £000	18 month period ended 31 March 1999 £000
Current year taxation		
UK corporation tax at 30% (1999 - 31%)	472	561
Deferred tax charge	77	-
	549	561
Total UK taxation		
Overseas tax	289	-
	838	561
Adjustments in respect of prior periods		
UK corporation tax	(85)	-
Overseas tax	193	-
	946	561

9 DIVIDENDS

	2000 £000	18 month period ended 31 March 1999 £000
Ordinary shares		
Interim paid	95	70
Preference shares		
Interim paid	245	168
	340	238
of which:		
Dividends on equity shares	95	70
Participating dividends on non-equity shares	245	168
	340	238

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2000

10 OTHER APPROPRIATIONS

	2000 £000	18 month period ended 31 March 1999 £000
Amortisation of non-equity share issue costs	-	27
Accrued dividend on preference shares	51	-
	<u>51</u>	<u>27</u>
	<u>51</u>	<u>27</u>

11 INTANGIBLE FIXED ASSETS

Group

	Goodwill £000
Cost	
At 1 April 1999	11,119
	<u>11,119</u>
At 31 March 2000	<u>11,119</u>
Amortisation	
At 1 April 1999	1,218
Charge for the year	550
	<u>1,768</u>
At 31 March 2000	<u>1,768</u>
Net book amount	
At 31 March 2000	9,351
	<u>9,351</u>
At 31 March 1999	<u>9,901</u>

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2000

12 TANGIBLE FIXED ASSETS

Group

	Leasehold improvements £000	Freehold land & buildings £000	Plant and equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 April 1999	90	1,803	17,647	352	19,892
Additions	-	40	1,437	-	1,477
Disposals	-	-	(317)	(111)	(428)
Exchange adjustment	-	(148)	(1,372)	(15)	(1,535)
At 31 March 2000	90	1,695	17,395	226	19,406
Depreciation					
At 1 April 1999	49	92	10,990	246	11,377
Charge for year	10	55	1,147	48	1,260
On disposals	-	-	(140)	(111)	(251)
Exchange adjustment	-	(8)	(924)	(12)	(944)
At 31 March 2000	59	139	11,073	171	11,442
Net book amount					
At 31 March 2000	31	1,556	6,322	55	7,964
At 31 March 1999	41	1,711	6,657	106	8,515

The net book value of plant and equipment includes £1,239,459 (31 March 1999: £1,403,193) held under finance leases and hire purchase contracts.

The net book value of motor vehicles includes £40,249 (31 March 1999: £64,061) held under finance leases and hire purchase contracts.

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2000

13 FIXED ASSET INVESTMENTS

Company	Shares in subsidiary undertakings £000
Cost	
At 1 April 1999	
and 31 March 2000	11,359

Details of the company's subsidiary undertakings, which are all wholly owned, are as follows:

Company	Nature of business
Chaucer Foods Limited	Manufacture of crumb based food products
Chaucer Foods S.A. (formerly SPAB S.A.)	Freeze drying and spray drying of fresh vegetables and fruit products
Pilgrim Employee Benefit Trust (Trustees) Limited	Trustee of Pilgrim Foods Employee Benefit Trust
Pearts Bakery (Derby) Limited	Dormant
Pearts Bakery (Holdings) Limited	Dormant
Pearts Foods Limited	Dormant
Pilgrim Pasta Limited	Dormant
PF (Hull) Limited	Dormant
Pilgrim Foods (Defunct) Limited	Dormant

All of the above companies are incorporated in the United Kingdom except for Chaucer Foods SA which is registered and incorporated in France.

14 STOCKS

	GROUP		COMPANY	
	2000 £000	1999 £000	2000 £000	1999 £000
Raw materials	877	1,117	-	-
Work in progress	2,344	3,349	-	-
	<u>3,221</u>	<u>4,466</u>	<u>-</u>	<u>-</u>

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2000

15 DEBTORS

	GROUP		COMPANY	
	2000	1999	2000	1999
	£000	£000	£000	£000
Due within one year				
Trade debtors	3,873	4,193	-	-
Other debtors	473	389	-	19
Prepayments and accrued income	118	26	-	-
	<u>4,464</u>	<u>4,608</u>	<u>-</u>	<u>19</u>
Due after one year				
Trade debtors	2	2	-	-
	<u>4,466</u>	<u>4,610</u>	<u>-</u>	<u>19</u>

16 CREDITORS:

Amounts falling due within one year

	GROUP		COMPANY	
	2000	1999	2000	1999
	£000	£000	£000	£000
Bank loans and overdrafts	2,191	2,593	608	638
Less loan issue costs	(72)	(59)	-	-
Trade creditors	4,392	3,970	-	-
Amounts owed to group undertakings	-	-	5,226	4,296
Corporation tax	687	577	1	33
Other tax and social security	90	86	-	-
Proposed dividends	-	64	-	-
Net obligations under finance leases and hire purchase contracts (note 19)	252	229	-	-
Accruals and deferred income	2,159	1,894	436	390
	<u>9,699</u>	<u>9,354</u>	<u>6,271</u>	<u>5,357</u>

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2000

17 CREDITORS:

Amounts falling due after more than one year

	GROUP		COMPANY	
	2000	1999	2000	1999
	£000	£000	£000	£000
Bank loans (note 18)	6,199	8,906	299	1,217
Less loan issue costs	(94)	(195)	-	-
Net obligations under finance leases and hire purchase contracts (note 19)	636	811	-	-
Other creditors	1,858	3,435	-	-
	<u>8,599</u>	<u>12,957</u>	<u>299</u>	<u>1,217</u>

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

18 LOANS

Loans fall due for payment as follows:

	GROUP		COMPANY	
	2000	1999	2000	1999
	£000	£000	£000	£000
Bank loans				
Within one year	2,184	1,626	608	638
Between one and two years	2,181	2,069	299	618
Between two and five years	4,018	3,489	-	599
After more than five years	-	3,348	-	-
	<u>8,383</u>	<u>10,532</u>	<u>907</u>	<u>1,855</u>

Interest on the bank loan is payable at a rate based principally on LIBOR plus 2.0%. Repayments are made on a six monthly basis.

19 FINANCE LEASES

Net obligations under finance leases and hire purchase agreements fall due as follows:

	GROUP		COMPANY	
	2000	1999	2000	1999
	£000	£000	£000	£000
Within one year	252	229	-	-
Between one and five years	636	811	-	-
	<u>888</u>	<u>1,040</u>	<u>-</u>	<u>-</u>

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2000

20 PROVISIONS FOR LIABILITIES AND CHARGES

GROUP

	Deferred taxation £000
At 1 April 1999	380
Charged to profit and loss	77
At 31 March 2000	<u>457</u>

Deferred tax is analysed as follows:

	Provided		Not provided	
	2000	1999	2000	1999
	£000	£000	£000	£000
Capital allowances	457	380	409	588
Other timing differences	-	-	(53)	(6)

21 SHARE CAPITAL

	Authorised	Allotted, called up and fully paid	
	£000	No.	£000
At 1 April 1999 and 31 March 2000			
Ordinary shares of £1 each	440,533	418,334	418
Convertible "A" ordinary shares of £1 each	242,551	217,900	218
Preference shares of 1p each	3,373,846	2,281,064	23
	<u>4,056,930</u>	<u>2,917,298</u>	<u>659</u>

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 period beginning 1 October 1999. In addition they received 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	
31 December 2002	374,769 shares
31 December 2003	374,769 shares

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2000

21 SHARE CAPITAL (continued)

31 December 2004	374,769 shares
31 December 2005	374,769 shares
31 December 2006	374,770 shares
31 December 2007	203,609 shares
31 December 2008	203,609 shares

- (b) immediately on a sale or listing of the company.

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.

At the option of the "A" ordinary shareholders, the "A" ordinary shares may be converted at any time into a like number of ordinary shares, including the payment of dividends 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 payments 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 the capital.
- (b) 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.

Share warrants

On 22 January 1999 the company passed a special resolution authorising the granting of rights to subscribe for warrant shares. These rights enable the warrant holder to subscribe for such number of ordinary shares as amounts to 3.25% of the issued equity share capital of the company (this being equivalent to 22,000 ordinary shares at the year end).

These rights may be exercised during the two year period ending on 30 September 2007, upon the occurrence of one or more exit events, being the potential change of control, sale or listing of the company.

The subscription price, should these warrant rights be exercised, equates to the nominal value of the share, being £1 per share.

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2000

22 RESERVES

	GROUP	COMPANY
	£000	£000
Share premium account		
At 1 April 1999		
and 31 March 2000	3,986	3,986
Profit and loss account	£000	£000
At 1 April 1999	281	190
Profit for the year	1,275	346
Dividends	(391)	(391)
Exchange differences	682	-
At 31 March 2000	1,847	145
The profit of the group for the year consists of the following:		
	2000	1999
	£000	£000
Retained by the company	6	190
Retained by subsidiary undertakings	1,269	450
	1,275	640

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2000

23 SHAREHOLDERS' FUNDS

GROUP	2000	1999
	£000	£000
Shareholders' funds at 1 April 1999	4,926	4,551
Profit for the year	1,275	640
Exchange differences (see note 1(i))	682	-
Dividends	(391)	(265)
Shareholders' funds at 31 March 2000	<u>6,492</u>	<u>4,926</u>

Shareholders' funds include amounts attributable to non-equity interests as follows:

Balance at 1 April 1999	2,861	2,671
Amortisation of non-equity share issue costs	-	27
Rights issue	-	407
Non-equity share issue costs written off to share premium	-	(75)
Dividend proposed /paid	(245)	(169)
Non-equity interests	<u>2,616</u>	<u>2,861</u>
Equity interests	<u>3,876</u>	<u>2,065</u>
Total	<u>6,492</u>	<u>4,926</u>

COMPANY	2000	1999
	£000	£000
Shareholders' funds at 1 April 1999	4,835	4,230
Profit for the year	346	268
Dividends	(391)	(238)
Other movements:		
New shares issued	-	650
Non equity share issue costs written off	-	(75)
Shareholders' funds at 31 March 2000	<u>4,790</u>	<u>4,835</u>

Shareholders' funds include amounts attributable to non-equity interests as follows:

Balance at 1 April 1999	2,861	2,671
Amortisation of non-equity share issue costs	-	27
Rights issue	-	407
Non-equity share issue costs written off to share premium	-	(75)
Dividend proposed /paid	(245)	(169)
Non-equity interests	<u>2,616</u>	<u>2,861</u>
Equity interests	<u>2,174</u>	<u>1,974</u>
Total	<u>4,790</u>	<u>4,835</u>

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2000

24 GROSS CASH FLOWS

	2000 £000	1999 £000
Returns on investments and servicing of finance		
Interest paid	(998)	(982)
Equity and non-equity dividends received	-	250
Non-equity dividends paid	(245)	(168)
	<u>(1,243)</u>	<u>(900)</u>
Taxation		
Corporation tax paid	(815)	(352)
	<u>(815)</u>	<u>(352)</u>
Capital expenditure		
Payments to acquire tangible fixed assets	(1,478)	(1,513)
	<u>(1,478)</u>	<u>(1,513)</u>
Acquisitions and disposals		
Payments to acquire investments	-	(8,295)
	<u>-</u>	<u>(8,295)</u>
Financing		
New loans	-	7,635
Proceeds from rights issue	-	650
Loans repaid	(2,206)	-
	<u>(2,206)</u>	<u>8,285</u>

25 ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 1999 £000	Cash flows £000	At 31 March 2000 £000
Cash at bank and in hand	125	120	245
Overdrafts	(967)	967	-
		<u>1,087</u>	
Debt due within 1 year	(1,626)	(558)	(2,184)
Debt due after 1 year	(8,906)	2,707	(6,199)
Finance leases	(1,040)	152	(888)
Total	<u>(12,414)</u>	<u>3,388</u>	<u>(9,026)</u>

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2000

26 OTHER COMMITMENTS

At 31 March 2000 the group had annual commitments under operating leases as follows:

	Land and buildings		Other	
	2000	1999	2000	1999
	£	£	£000	£000
Expiry date:				
Within 1 year	-	-	-	19,090
Between 1 and 5 years	-	-	23,869	6,444
In more than 5 years	225,000	131,975	88,931	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

27 CONTINGENT LIABILITIES

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

28 TRANSACTIONS WITH DIRECTORS

Mr J Rowell received 11,549 shares from Pilgrim Employee Benefit Trust in 1998 and received payment for his services from Chaucer Foods Limited. At 31 March 2000 the outstanding debt to the Trust of £49,000 equalled the amount due to J Rowell by Chaucer Foods Limited as payment for his services.

29 PENSION COSTS

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund. The pension cost charge for the year is shown in note 5.

30 PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The company has no overall controlling party.