

**PILGRIM FOOD GROUP LIMITED
AND SUBSIDIARY COMPANIES**

ANNUAL REPORT

YEAR ENDED 31 MARCH 2001

Registered Number : 3168607



PKF

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES

COMPANY INFORMATION

Directors	W J Mapstone (Chairman) P N G Smith J Rowell S Dunn
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 - 2
STATEMENT OF DIRECTORS' RESPONSIBILITIES	3
AUDITORS' REPORT	4
CONSOLIDATED PROFIT AND LOSS ACCOUNT	5
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	6
CONSOLIDATED BALANCE SHEET	7
BALANCE SHEET	8
CASH FLOW STATEMENT	9
NOTES TO THE FINANCIAL STATEMENTS	10 - 27

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2001

The directors submit their report and the financial statements for the year ended 31 March 2001.

Results and dividends

The profit for the year, after taxation, amounted to £1,782,000 (2000 - £1,275,000).

A dividend of £233,000 has been paid in the year (2000 - £340,000) and the directors have accrued a dividend on preference shares of £51,000 (2000 - £51,000).

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 2001 and look forward to the forthcoming year with cautious optimism.

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

Future developments

On 27 April 2001, Chaucer Foods Limited, a group subsidiary, acquired the whole of the issued ordinary share capital of D.S.P. nv, a company incorporated in Belgium, for a consideration of one Belgian Franc.

The terms of the acquisition were that, on acquiring the ordinary share capital, Chaucer Foods Limited were legally obliged to lend D.S.P. nv an amount of 65,000,000 Belgian Francs, to reduce bank indebtedness, and an amount of 11,500,000 Belgian Francs, to provide working capital support.

The principal activity of D.S.P. nv involves the drying of fruits, vegetables and herbs.

As a consequence of a group reorganisation completed on 26 April 2001 the entire issued share capital of Pilgrim Food Group Limited is now held by Pilgrim Food Holdings Limited.

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 were:

	Ordinary £1 shares	
	2001	2000
W J Mapstone (Chairman)	212,314	212,314
P N G Smith	92,705	92,705
J Rowell	31,149	31,149
S Dunn	-	-

Employee involvement and employment of disabled persons

Within the grounds of commercial confidentiality, information is disseminated to all levels of staff about matters that affect the progress of the group and are of interest and concern to them as employees.

The group gives equal opportunity to the employment of disabled persons where practicable.

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.

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT (continued)

YEAR ENDED 31 MARCH 2001

Auditors

The auditors, PKF, are deemed to be reappointed in accordance with section 385 of the Companies Act 1985.

By order of the board



Secretary

P Townend

3 December 2001

**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.

The directors are responsible for ensuring that the directors' report is prepared in accordance with company law in the United Kingdom.

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

We have audited the financial statements of Pilgrim Food Group Limited and its subsidiary undertakings for the year ended 31 March 2001 which comprise the Profit and Loss Account, the Balance Sheets, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require from our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 and the group'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 2001, and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

LEEDS, UK

6 December 2001


PKF
Registered Auditors

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2001

	Notes	2001 £000	2000 £000
TURNOVER	2	30,506	28,511
Cost of sales		(22,892)	(21,299)
GROSS PROFIT		7,614	7,212
Distribution costs		(1,490)	(1,211)
Administrative expenses		(2,900)	(2,782)
OPERATING PROFIT	3	3,224	3,219
Interest receivable and similar items	6	27	-
Interest payable and similar items	7	(513)	(998)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,738	2,221
TAXATION	8	(956)	(946)
PROFIT FOR THE FINANCIAL YEAR		1,782	1,275
DIVIDENDS PAID			
(including non-equity)	9	(233)	(340)
Other appropriations	10	(51)	(51)
		1,498	884

All amounts relate to continuing operations.

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 MARCH 2001

	2001 £000	2000 £000
Profit for the financial year	1,782	1,275
Exchange differences	(341)	682
Total recognised gains and losses relating to the year	<u>1,441</u>	<u>1,957</u>

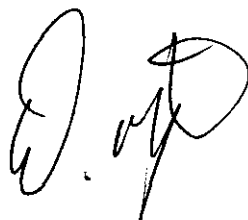
PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET
31 MARCH 2001

	Notes	2001 £000	2000 £000
FIXED ASSETS			
Intangible	11	8,801	9,351
Tangible	12	7,495	7,964
		<u>16,296</u>	<u>17,315</u>
CURRENT ASSETS			
Stocks	14	2,777	3,221
Debtors	15	6,840	4,466
Cash at bank and in hand		91	798
		<u>9,708</u>	<u>8,485</u>
CREDITORS: amounts falling due within one year	16	<u>(12,311)</u>	<u>(10,252)</u>
NET CURRENT LIABILITIES		<u>(2,603)</u>	<u>(1,767)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>13,693</u>	<u>15,548</u>
CREDITORS: amounts falling due after more than one year	17	(5,426)	(8,599)
PROVISIONS FOR LIABILITIES AND CHARGES	20	(618)	(457)
NET ASSETS		<u><u>7,649</u></u>	<u><u>6,492</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	3,004	1,847
SHAREHOLDERS' FUNDS	23	<u><u>7,649</u></u>	<u><u>6,492</u></u>

The financial statements were approved by the board on 23 November 2001

Signed on behalf of the board of directors

W J MAPstone Director



PILGRIM FOOD GROUP LIMITED
BALANCE SHEET
31 MARCH 2001

	Notes	2001 £000	2000 £000
FIXED ASSETS			
Investments	13	11,359	11,359
CURRENT ASSETS			
Cash at bank and in hand		1	1
		<u>1</u>	<u>1</u>
CREDITORS: amounts falling due within one year	16	(6,244)	(6,271)
NET CURRENT LIABILITIES		<u>(6,243)</u>	<u>(6,270)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,116</u>	<u>5,089</u>
CREDITORS: amounts falling due after more than one year	17	-	(299)
NET ASSETS		<u><u>5,116</u></u>	<u><u>4,790</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	471	145
SHAREHOLDERS' FUNDS	23	<u><u>5,116</u></u>	<u><u>4,790</u></u>

The financial statements were approved by the board on 23 November 2001

Signed on behalf of the board of directors

W J Mapstone Director



PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2001

	2001 £000	2000 £000
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	3,224	3,219
Amortisation of intangible assets	550	550
Depreciation of tangible fixed assets	1,275	1,260
(Increase)/decrease in debtors	(2,374)	200
Decrease in stocks	444	1,245
Increase/(decrease) in creditors	1,720	(359)
Other non cash transactions	(315)	809
Net cash inflow from operating activities	<u>4,524</u>	<u>6,924</u>
CASH FLOW STATEMENT (note 24)		
Net cash inflow from operating activities	4,524	6,924
Returns on investments and servicing of finance	(927)	(1,243)
Taxation	(713)	(815)
Capital expenditure	(798)	(1,478)
Acquisitions and disposals	-	-
Equity dividends paid	(78)	(95)
	<u>2,008</u>	<u>3,293</u>
Financing	<u>(2,815)</u>	<u>(2,206)</u>
(Decrease)/increase in cash	<u>(807)</u>	<u>1,087</u>
Reconciliation of net cash flow to movement in net debt (note 25)		
(Decrease)/increase in cash in the period	(807)	1,087
Repayment of loans	1,961	2,301
Change in net debt	<u>1,154</u>	<u>3,388</u>
Net debt at 1 April 2000	(9,026)	(12,414)
Net debt at 31 March 2001	<u>(7,872)</u>	<u>(9,026)</u>

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2001

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 2001. 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 % straight line
Leasehold improvements	5 % straight line
Plant and equipment	15 % straight line
Motor vehicles	25 % straight line
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 2001

1 ACCOUNTING POLICIES (continued)

(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

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Advantage has been taken of the hedging rules in SSAP 20, foreign currency translation, whereby the foreign exchange gains or losses arising on the retranslation of foreign equity investments at each period end, are offset against the foreign exchange gains or losses arising on the retranslation of the borrowings used to finance the investment at each period end, to the extent of the gain or losses arising on the investment. The net exchange rate difference is transferred directly to reserves

All other exchange rate differences are taken to the profit and loss account.

(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.

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2001

2 TURNOVER

Turnover of the company represents management charges to subsidiary undertakings. Turnover amounted to **£483,929** (2000 - £503,033).

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

	2001	2000
	£000	£000
United Kingdom	11,190	9,895
European Union	12,254	14,510
Other	7,062	4,106
Total	30,506	28,511

3 OPERATING PROFIT

The operating profit is stated after charging:

	2001	2000
	£000	£000
Amortisation of goodwill	550	550
Depreciation of tangible fixed assets:		
- owned by the company	1,122	1,116
- held under finance leases or hire purchase contracts	153	144
Auditor's fees - audit services	40	38
- other services	20	16
Operating lease rentals:		
- plant & machinery	117	113
- other	232	-

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2001

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:

	2001 £000	2000 £000
Directors' emoluments	380	286
Pension costs	23	20
	<u> </u>	<u> </u>

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

	No	No
Money purchase schemes	4	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** (2000 - **NIL**).

The highest paid director received emoluments and benefits as follows:

	2001 £000	2000 £000
Emoluments	216	194
Contributions to money purchase pension schemes	16	16
	<u> </u>	<u> </u>

5 STAFF COSTS

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

	2001 £000	2000 £000
Wages and salaries	5,478	5,360
Social security costs	1,132	1,218
Other pension costs	140	117
	<u> </u>	<u> </u>
	<u>6,750</u>	<u>6,695</u>

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

	No.	No.
Production	347	359
Administration	35	40
	<u> </u>	<u> </u>
	<u>382</u>	<u>399</u>

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2001

6 INTEREST RECEIVABLE AND SIMILAR ITEMS

	2001 £000	2000 £000
Exchange differences	27	-
	<u>27</u>	<u>-</u>

7 INTEREST PAYABLE AND SIMILAR ITEMS

	2001 £000	2000 £000
Bank loans and overdrafts	354	838
Finance charges under finance leases and hire purchase contracts	88	85
Amortisation of costs of raising loan finance	71	75
	<u>513</u>	<u>998</u>

8 TAXATION

	2001 £000	2000 £000
Current year taxation		
UK corporation tax	483	472
Deferred tax charge	161	77
	<u>644</u>	<u>549</u>
Total UK taxation	644	549
Overseas tax	553	289
	<u>1,197</u>	<u>838</u>
Adjustments in respect of prior periods		
UK corporation tax	(80)	(85)
Overseas tax	(161)	193
	<u>956</u>	<u>946</u>

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2001

9 DIVIDENDS

	2001	2000
	£000	£000
Ordinary shares		
Interim paid	78	95
Preference shares		
Interim paid	155	245
Total dividends	<u>233</u>	<u>340</u>
of which:		
Dividends on equity shares	78	95
Participating dividends on non-equity shares	<u>155</u>	<u>245</u>
	<u>233</u>	<u>340</u>

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2001

10 OTHER APPROPRIATIONS

	2001	2000
	£000	£000
Accrued dividend on preference shares	51	51
	<u>51</u>	<u>51</u>
	<u>51</u>	<u>51</u>

11 INTANGIBLE FIXED ASSETS

Group

	Goodwill
	£000
Cost	
At 1 April 2000 and	
At 31 March 2001	11,119
	<u>11,119</u>
Amortisation	
At 1 April 2000	1,768
Charge for the year	550
	<u>2,318</u>
At 31 March 2001	2,318
	<u>2,318</u>
Net book amount	
At 31 March 2001	8,801
	<u>8,801</u>
At 31 March 2000	9,351
	<u>9,351</u>

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2001

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 2000	90	1,695	17,395	226	19,406
Additions	-	112	687	-	799
Disposals	-	(53)	(1,246)	-	(1,299)
Exchange adjustment	-	39	476	4	519
At 31 March 2001	90	1,793	17,312	230	19,425
Depreciation					
At 1 April 2000	59	139	11,073	171	11,442
Charge for year	10	60	1,180	25	1,275
On disposals	-	(2)	(1,112)	-	(1,114)
Exchange adjustment	-	4	320	3	327
At 31 March 2001	69	201	11,461	199	11,930
Net book amount					
At 31 March 2001	21	1,592	5,851	31	7,495
At 31 March 2000	31	1,556	6,322	55	7,964

The net book value of plant and equipment includes **£1,103,416** (2000: £1,239,459) held under finance leases and hire purchase contracts.

The net book value of motor vehicles includes **£22,999** (2000: £40,249) held under finance leases and hire purchase contracts.

The net book value of land and buildings includes **£359,000** held in respect of land.

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2001

13 FIXED ASSET INVESTMENTS

Company	Shares in subsidiary undertakings £000
Cost	
At 1 April 2000	
and 31 March 2001	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	
	2001	2000	2001	2000
	£000	£000	£000	£000
Raw materials	758	877	-	-
Work in progress	2,019	2,344	-	-
	<u>2,777</u>	<u>3,221</u>	<u>-</u>	<u>-</u>

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2001

15 DEBTORS

	GROUP		COMPANY	
	2001	2000	2001	2000
	£000	£000	£000	£000
Trade debtors	5,839	3,873	-	-
Other debtors	812	473	-	-
Prepayments and accrued income	189	118	-	-
	<u>6,840</u>	<u>4,464</u>	<u>-</u>	<u>-</u>
Due after one year				
Trade debtors	-	2	-	-
	<u>6,840</u>	<u>4,466</u>	<u>-</u>	<u>-</u>

16 CREDITORS:

Amounts falling due within one year

	GROUP		COMPANY	
	2001	2000	2001	2000
	£000	£000	£000	£000
Bank loans and overdrafts	2,827	2,744	299	608
Less loan issue costs	(50)	(72)	-	-
Trade creditors	4,709	4,392	-	-
Amounts owed to group undertakings	-	-	5,596	5,226
Corporation tax	769	687	13	1
Other tax and social security	1,028	90	-	-
Net obligations under finance leases and hire purchase contracts (note 19)	237	252	-	-
Accruals and deferred income	2,791	2,159	336	436
	<u>12,311</u>	<u>10,252</u>	<u>6,244</u>	<u>6,271</u>

The bank loans and overdraft are secured by a fixed and floating charge over the assets of the group.

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2001

17 CREDITORS:

Amounts falling due after more than one year

	GROUP		COMPANY	
	2001	2000	2001	2000
	£000	£000	£000	£000
Bank loans (note 18)	4,499	6,199	-	299
Less loan issue costs	(44)	(94)	-	-
Net obligations under finance leases and hire purchase contracts (note 19)	400	636	-	-
Other creditors	571	1,858	-	-
	<u>5,426</u>	<u>8,599</u>	<u>-</u>	<u>299</u>

The bank loans are secured by a fixed and floating charge over the assets of the group.

18 LOANS

Loans fall due for payment as follows:

	GROUP		COMPANY	
	2001	2000	2001	2000
	£000	£000	£000	£000
Bank loans				
Within one year	2,174	2,184	299	608
Between one and two years	2,199	2,181	-	299
Between two and five years	2,156	4,018	-	-
After more than five years	144	-	-	-
	<u>6,673</u>	<u>8,383</u>	<u>299</u>	<u>907</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	
	2001	2000	2001	2000
	£000	£000	£000	£000
Within one year	237	252	-	-
Between one and five years	400	636	-	-
	<u>637</u>	<u>888</u>	<u>-</u>	<u>-</u>

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2001

20 PROVISIONS FOR LIABILITIES AND CHARGES

GROUP

	Deferred taxation £000
At 1 April 2000	457
Charged to profit and loss	161
At 31 March 2001	<u>618</u>

Deferred tax is analysed as follows:

	Provided		Not provided
	2001 £000	2000 £000	2001 £000
Capital allowances	618	457	248
Other timing differences	-	-	(53)
	<u>618</u>	<u>457</u>	<u>(53)</u>

21 SHARE CAPITAL

	Authorised £000	Allotted, called up and fully paid No.	£000
At 1 April 2000 and 31 March 2001			
Ordinary shares of £1 each	441	418,334	418
Convertible "A" ordinary shares of £1 each	243	217,900	218
Preference shares of 1p each	3,374	2,281,064	23
	<u>4,058</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 receive a sum equal to the excess of the directors emoluments above amounts specified in the Company's Articles.

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2001

21 SHARE CAPITAL (continued)

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
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) or immediately on a sale or listing of the company if earlier than the above dates.

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 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 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).

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2001

21 SHARE CAPITAL (continued)

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.

22 RESERVES

	GROUP	COMPANY
	£000	£000
Share premium account		
At 1 April 2000		
and 31 March 2001	<u>3,986</u>	<u>3,986</u>
Profit and loss account	£000	£000
At 1 April 2000	1,847	145
Profit for the year	1,782	610
Dividends	(284)	(284)
Net movement on foreign exchange transactions	(341)	-
At 31 March 2001	<u>3,004</u>	<u>471</u>
The profit of the group for the year consists of the following:		
	2001	2000
	£000	£000
Retained by the company	326	6
Retained by subsidiary undertakings	1,142	878
	<u>1,468</u>	<u>884</u>

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2001

23 SHAREHOLDERS' FUNDS

GROUP	2001	2000
	£000	£000
Shareholders' funds at 1 April 2000	6,492	4,926
Profit for the year	1,782	1,275
Exchange differences (see note 1(i))	(341)	682
Dividends	(284)	(391)
Shareholders' funds at 31 March 2001	<u>7,649</u>	<u>6,492</u>

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

Balance at 1 April 1999	2,616	2,861
Dividends proposed / paid	(284)	(245)
Non-equity interests	<u>2,332</u>	<u>2,616</u>
Equity interests	<u>5,317</u>	<u>3,876</u>
Total	<u>7,649</u>	<u>6,492</u>

COMPANY	2001	2000
	£000	£000
Shareholders' funds at 1 April 2000	4,790	4,835
Profit for the year	610	346
Dividends proposed / paid	(284)	(391)
Shareholders' funds at 31 March 2001	<u>5,116</u>	<u>4,790</u>

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

Balance at 1 April 2000	2,616	2,861
Dividends proposed / paid	(284)	(245)
Non-equity interests	<u>2,332</u>	<u>2,616</u>
Equity interests	<u>2,784</u>	<u>2,174</u>
Total	<u>5,116</u>	<u>4,790</u>

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2001

24 GROSS CASH FLOWS

	2001 £000	2000 £000
Returns on investments and servicing of finance		
Interest paid	(721)	(998)
Non-equity dividends paid	(206)	(245)
	<u>(927)</u>	<u>(1,243)</u>
Taxation		
Corporation tax paid	(713)	(815)
	<u>(713)</u>	<u>(815)</u>
Capital expenditure		
Payments to acquire tangible fixed assets	(798)	(1,478)
	<u>(798)</u>	<u>(1,478)</u>
Financing		
Loans repaid	(2,815)	(2,206)
	<u>(2,815)</u>	<u>(2,206)</u>

25 ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2000 £000	Cash flows £000	At 31 March 2001 £000
Cash at bank and in hand	798	(707)	91
Overdrafts	(553)	(100)	(653)
		<u>(807)</u>	
Debt due within 1 year	(2,184)	10	(2,174)
Debt due after 1 year	(6,199)	1,700	(4,499)
Finance leases	(888)	251	(637)
Total	<u>(9,026)</u>	<u>1,154</u>	<u>(7,872)</u>

26 CAPITAL COMMITMENTS

At 31 March 2001 the company had entered into contracts for capital expenditure not provided for in these accounts amounting to approximately **£130,000** (2000 - £NIL).

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2001

27 OTHER COMMITMENTS

At 31 March 2001 the group had annual commitments under operating leases as follows:

	Land and buildings		Other	
	2001	2000	2001	2000
	£000	£000	£000	£000
Expiry date:				
Within 1 year	-	-	34	-
Between 1 and 5 years	-	-	82	24
In more than 5 years	252	225	1	89
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

28 CONTINGENT LIABILITIES

Pilgrim Food Group Limited forms part of a cross guarantee arrangements with other group companies under composite cross guarantees with the Nat West Bank dated 14 January 1994 and 20 February 1995. The total indebtedness of the other group undertakings in respect of these guarantees at the year-end was £1,440,739.

29 RELATED PARTY TRANSACTIONS

During the year Chaucer Foods Limited paid rents of £102,000 to The Pilgrim Food Group Limited Funded Unapproved Retirement Benefits Scheme of which Mr Mapstone is the beneficiary. The rent paid represents the commercial rate as assessed by independent experts.

During the year Chaucer Foods Limited made a loan of £155,000 to The Pilgrim Food Group Limited Funded Unapproved Retirement Benefits Scheme. The loan is repayable on 1 May 2002 or on demand and bears interest at 2% above LIBOR. No interest was payable in the year in respect of the loan. Since the year end £75,000 of the loan has been repaid by the company.

30 POST BALANCE SHEET EVENTS

On 27 April 2001, Chaucer Foods Limited, a group subsidiary, acquired the whole of the issued ordinary share capital of D.S.P. nv, a company incorporated in Belgium, for a consideration of one Belgian Franc.

The terms of the acquisition were that, on acquiring the ordinary share capital, Chaucer Foods Limited were legally obliged to lend D.S.P. nv an amount of 65,000,000 Belgian Francs, to reduce bank indebtedness, and an amount of 11,500,000 Belgian Francs, to provide working capital support.

The principal activity of D.S.P. nv involves the drying of fruits, vegetables and herbs.

PILGRIM FOOD GROUP LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2001

31 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.

32 PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The company has no overall controlling party.