

PILGRIM FOOD GROUP LIMITED

ANNUAL REPORT

YEAR ENDED 31 MARCH 2002



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PILGRIM FOOD GROUP LIMITED

COMPANY INFORMATION

Directors	W J Mapstone (Chairman) P N G Smith J Rowell
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 PO Box 944 34 King Edward Street Hull HU1 3YN

PILGRIM FOOD GROUP LIMITED

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PILGRIM FOOD GROUP LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 MARCH 2002

The directors submit their report and the financial statements for the year ended 31 March 2002.

Principal activity

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

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 Shares of £1 each	
	2002	2001
W J Mapstone (Chairman)	-	212,314
P N G Smith	-	92,705
J Rowell	-	31,149
S Dunn (resigned 6 June 2002)	-	-

The interests of Messrs WJ Mapstone and PNG Smith in the shares of the parent company, Pilgrim Food Holdings Limited, are disclosed in that company's financial statements.

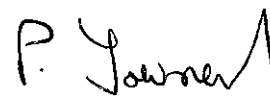
Basis of preparation

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

20/12/02

20 December 2002

By order of the board



Secretary
P Townend

PILGRIM FOOD GROUP LIMITED
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.

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

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

We have audited the financial statements of Pilgrim Food Group Limited for the year ended 31 March 2002 which comprise the Profit and Loss Account, the Balance Sheet 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 for 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 judgments 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 the company's affairs as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Leeds, UK
8 January 2003


PKF
Registered Auditors

PILGRIM FOOD GROUP LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2002

	Notes	2002 £000	2001 £000
TURNOVER	2	174	196
OPERATING PROFIT		174	196
Income from shares in group undertakings		1,962	500
Interest payable and similar charges		(12)	(136)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,124	560
TAXATION	3	(1)	50
PROFIT FOR THE FINANCIAL YEAR		2,123	610
DIVIDENDS		(2,564)	(284)
		(441)	326

PILGRIM FOOD GROUP LIMITED

BALANCE SHEET

31 MARCH 2002

	Notes	2002 £000	2001 £000
FIXED ASSETS			
Investments	4	11,359	11,359
CURRENT ASSETS			
Cash at bank and in hand		1	1
		1	1
CREDITORS: amounts falling due within one year	5	(6,685)	(6,244)
NET CURRENT LIABILITIES		(6,684)	(6,243)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,675	5,116
CAPITAL AND RESERVES			
Called up share capital	6	659	659
Share premium account	7	3,986	3,986
Profit and loss account	7	30	471
		4,675	5,116

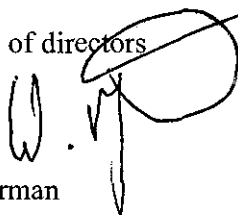
The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the board on 20/12/02 20 December 2002

Signed on behalf of the board of directors

W J Mapstone

Chairman



PILGRIM FOOD GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

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 the Financial Reporting Standard for Smaller Entities (effective March 2000).

Group accounts have not been prepared as all of the company's subsidiaries are permitted to be excluded from group accounts by virtue of section 229 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

(b) Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts.

(c) Investments

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

2 TURNOVER

All turnover arose within the United Kingdom.

3 TAXATION

	2002	2001
	£000	£000
Current year taxation		
UK corporation tax	1	(50)
	<u> </u>	<u> </u>

PILGRIM FOOD GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

4 FIXED ASSET INVESTMENTS

	Shares in group undertakings £000
Cost	
At 1 April 2001 and 31 March 2002	11,359
Net book amount	
At 31 March 2002	11,359
At 31 March 2001	11,359

The company holds the following investments in subsidiary undertakings:

Name	Country of incorporation/ registration and operation	% of nominal value of all classes of shares
Chaucer Foods Limited	UK	100
Chaucer Foods S.A.	France	100
Pilgrim Employee Benefit Trust (Trustees) Limited	UK	100
Pearls Bakery (Derby) Limited	UK	100
Pearls Bakery (Holdings) Limited	UK	100
Pearls Foods Limited	UK	100
Pilgrim Pasta Limited	UK	100
PF (Hull) Limited	UK	100

5 CREDITORS:

Amounts falling due within one year

	2002 £000	2001 £000
Bank loans and overdrafts	-	299
Amounts owed to group undertakings	6,453	5,596
Corporation tax	1	13
Other creditors	231	336
	<u>6,685</u>	<u>6,244</u>

PILGRIM FOOD GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

6 SHARE CAPITAL

	Authorised £000	Allotted, called up and fully paid No	£000
At 1 April 2001 and 31 March 2002			
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 9p 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 of Association, for each financial year commencing with the financial period beginning 1 October 1999. In addition they receive a sum equal to the excess of directors' emoluments above amounts specified in the company's Articles of Association.

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

PILGRIM FOOD GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

6 SHARE CAPITAL (continued)

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 share holders 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 22nd 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 warrants be exercised, equates to the nominal value of the share, being £1 per share.

7 RESERVES

Profit and loss account	£000
At 1 April 2001	471
Profit for the year	2,123
Dividends	(2,564)
At 31 March 2002	30

8 CONTINGENT LIABILITIES

The company forms part of a cross guarantee with other group companies under composite cross guarantees with National Westminster Bank plc 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 £1,032,000.

PILGRIM FOOD GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

9 TRANSACTIONS WITH RELATED PARTIES

As a 100% owned subsidiary of Pilgrim Food Holdings Limited, the company qualifies for the exemption from disclosing transactions with other group companies. Consolidated accounts for the group are publicly available.

No other related party transactions took place.

10 PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The company is controlled by Pilgrim Food Holdings Limited.

The parent undertaking of the largest and smallest group for which consolidated accounts are prepared is Pilgrim Food Holdings Limited. Consolidated accounts are available from Companies House, Cardiff, CF4 3UZ.

In the opinion of the directors this is the company's ultimate parent company and ultimate controlling party.