Company No: 3475845

2 Sisters Food Services Limited

Annual Report

♦ *Year ended 31 July 2001* ♦



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COMPANY INFORMATION

Directors	R Singh B Kaur B Noble
Secretary	B Noble
Registered office	Unit 3 Bevan Way Smethwick Warley West Midlands B66 1AW
Registered number	3475845
Auditors	RSM Robson Rhodes Chartered Accountants Centre City Tower 7 Hill Street Birmingham B5 4UU
Bankers	Bank of Scotland 55 Temple Row Birmingham West Midlands B2 5LS

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 July 2001.

Principal activities

The principal activity of the company is the processing of chicken.

Business review and future developments

The company traded profitably during the year. No significant change is anticipated by the directors in the forthcoming year

Dividends

An interim dividend of £2,000,000 was paid during the year (2000 : £1,300,000). The directors do not propose the payment of a final dividend (2000: £Nil).

Euro

The company does not expect any problems to arise with the introduction of the Euro.

Directors

The present directors of the company are set out on page 1.

None of the directors serving at the end of the year had interests in the share capital of the company. The directors interests in shares of the ultimate parent undertaking, Boparan Holdings Limited, are disclosed in the Directors Report of that company.

REPORT OF THE DIRECTORS
(Continued)

Directors' responsibilities for the Annual Report

Company law in the United Kingdom 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 these financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom accounting standards; and
- prepared the financial statements on the going concern basis.

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.

Auditors

The auditors, RSM Robson Rhodes are willing to continue in office and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approval

The report of the directors was approved by the Board on 30 May 2002 and signed on its behalf by:

B NOBLE
Secretary

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF 2 SISTERS FOOD SERVICES LIMITED

We have audited the financial statements on pages 5 to 13.

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 information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the Annual Report.

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 circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all 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 as at 31 July 2001 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes
Chartered Accountants and Registered Auditors

Birmingham, England
30 May 2002

PROFIT AND LOSS ACCOUNT
for the year ended 31 July 2001

	Note	2001 £	2000 £
Turnover - continuing operations	2	32,707,737	21,715,849
Cost of sales		(27,594,913)	(18,570,818)
Gross profit		5,112,824	3,145,031
Distribution costs		(438,545)	(431,105)
Administrative expenses		(823,988)	(587,191)
Operating profit - continuing operations	3	3,850,291	2,126,735
Interest receivable and similar income	4	123,743	9,156
Interest payable	5	(76,166)	(10,400)
Profit on ordinary activities before taxation		3,897,868	2,125,491
Tax on profit on ordinary activities	7	(1,147,367)	(641,566)
Profit on ordinary activities after taxation		2,750,501	1,483,925
Dividends	8	(2,000,000)	(1,300,000)
Retained profit for the year	16	750,501	183,925

There are no recognised gains or losses other than the results for the years set out above.

BALANCE SHEET
at 31 July 2001

	Note	2001 £	2000 £
Fixed assets			
Tangible assets	9	1,015,643	420,228
Current assets			
Stocks	10	1,089,751	329,591
Debtors	11	8,651,076	4,287,338
Cash at bank and in hand		-	550,221
		9,740,827	5,167,150
Creditors: Amounts falling due within one year	12	(7,808,603)	(3,409,601)
Net current assets		1,932,224	1,757,549
Total assets less current liabilities		2,947,867	2,177,777
Creditors: Amounts falling due after more than one year	13	-	(19,596)
Provision for liabilities and charges	14	(39,185)	-
		2,908,682	2,158,181
Capital and reserves			
Called up share capital	15	2	2
Profit and loss account	16	2,908,678	2,158,177
Capital redemption reserve	16	2	2
Equity shareholders' funds	17	2,908,682	2,158,181

The financial statements were approved by the Board on 30 May 2002 and signed on its behalf by:

B NOBLE
Director

NOTES TO THE FINANCIAL STATEMENTS
31 July 2001

1. ACCOUNTING POLICIES

Basis of accounting
The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention.

Turnover
Turnover consists of the invoiced value (excluding VAT) for goods and services supplied in the year.

Tangible fixed assets and depreciation
Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. The principal annual rates used for other assets are:

Plant and machinery	20%
Fixtures, fittings and equipment	20%
Motor vehicles	25%

Leased assets
Where assets are financed by leasing agreements ('finance leases') the assets are included in the balance sheet at cost less depreciation in accordance with the company's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account as incurred.

Stocks
Stocks and work in progress are valued at the lower of cost and estimated net realisable value. Cost is determined on a first-in first-out basis. The cost of work in progress and finished goods comprises materials, direct labour and attributable production overheads. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

Taxation
The charge for taxation is based on the profit for the period and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes.

Provision for deferred taxation is made under the liability method only to the extent that it is probable that the liability will become payable in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS
31 July 2001

2. TURNOVER BY GEOGRAPHICAL MARKET

	2001 £	2000 £
United Kingdom	32,707,737	21,715,849

3. OPERATING PROFIT

Operating profit is arrived at after charging:

	2001 £	2000 £
Auditors' remuneration	9,000	9,000
Depreciation	212,890	104,151

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2001 £	2000 £
Bank interest receivable	123,743	9,156

5. INTEREST PAYABLE

	2001 £	2000 £
Interest on loans and overdrafts repayable wholly within five years	45,405	2,234
Interest on overdue taxation	28,000	-
Interest on leased assets	2,761	8,166
	76,166	10,400

NOTES TO THE FINANCIAL STATEMENTS
31 July 2001

6. EMPLOYEES

Average weekly number of employees, including directors:

	2001 No	2000 No
Production	190	100
Administration and selling	12	8
	202	108

Staff costs, including directors:

	2001 £	2000 £
Wages and salaries	1,841,837	1,460,675
Social security costs	138,716	116,030
	1,980,553	1,576,705

The directors received no remuneration during the period.

7. TAXATION

Taxation charge for the period:

	2001 £	2000 £
Corporation tax at 30% (2000 : 30%)	659,022	652,116
Group relief payable	449,160	-
Deferred taxation	39,185	(10,550)
	1,147,367	641,566

8. DIVIDENDS

	2001 £	2000 £
Interim paid		
On ordinary shares at £1,000,000 per share (2000 - £1,650,000)	2,000,000	1,300,000

NOTES TO THE FINANCIAL STATEMENTS
31 July 2001

9. TANGIBLE ASSETS

	Leasehold Improve-ments £	Fixtures and fittings £	Office equipment £	Plant and machinery £	Total £
Cost					
At 1 August 2000	-	2,427	3,922	698,808	705,157
Additions	33,530	14,698	8,301	685,812	742,341
Inter company transfers	-	-	-	160,166	160,166
At 31 July 2001	33,530	17,125	12,223	1,544,786	1,607,664
Depreciation					
At 1 August 2000	-	485	580	283,864	284,929
Charged in period	11,493	2,020	1,285	198,093	212,890
Inter company transfers	-	-	-	94,202	94,202
At 31 July 2001	11,493	2,505	1,865	576,159	592,021
Net book value					
At 31 July 2001	22,038	14,620	10,358	968,627	1,015,643
At 31 July 2000	-	1,942	3,342	414,944	420,228

Included within plant and machinery are assets with net book value of £54,450 (2000: £74,250) held under finance leases. Depreciation of £19,800 (2000: £19,800) was charged on these during the year.

10. STOCKS

	2001 £	2000 £
Goods for resale	1,031,998	298,871
Packaging materials	57,753	30,720
	1,089,751	329,591

The replacement cost of the above stocks would not be significantly different from the values stated.

NOTES TO THE FINANCIAL STATEMENTS
31 July 2001

11. DEBTORS

	2001 £	2000 £
Trade debtors	1,324,592	1,536,307
Amounts owed by parent undertaking	2,098,000	-
Amounts owed from group undertakings	4,567,316	2,494,187
Other debtors	288,723	227,425
Prepayments and accrued income	372,445	29,419
	8,651,076	4,287,338

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Bank overdrafts	1,559,328	-
Obligations under finance leases	20,499	26,128
Trade creditors	1,193,930	1,490,891
Amounts owed to group undertakings	2,843,675	123,894
Corporation tax	648,184	641,566
Group relief payable	449,160	-
Other taxation and social security	-	77,350
Accruals and other deferred income	1,093,827	493,971
Other creditors	-	555,801
	7,808,603	3,409,601

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Obligations under finance leases		
- due between one and two years	-	19,596

NOTES TO THE FINANCIAL STATEMENTS
31 July 2001

14. PROVISION FOR LIABILITIES AND CHARGES

	2000 £
Deferred taxation	
Charge for the year end at 31 July 2001	39,185

Deferred taxation comprises:

	Amounts provided		Amounts unprovided	
	2001 £	2000 £	2001 £	2000 £
Capital allowances	41,399	18,050	-	18,050
Other timing differences	(2,214)	(18,050)	-	(23,259)
	39,185	-	-	(5,209)

15. SHARE CAPITAL

	2001 £	2000 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted and fully paid		
2 ordinary shares of £1 each	2	2

16. RESERVES

	Capital redemption reserve £	Profit and loss account £
At 1 August 2000	2	2,158,177
Retained profit for the year	-	750,501
At 31 July 2001	2	2,908,678

NOTES TO THE FINANCIAL STATEMENTS
31 July 2001

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Total recognised gains	2,750,501	1,483,925
Dividends	(2,000,000)	(1,300,000)
	750,501	183,925
Opening equity shareholders funds	2,158,181	1,974,256
Closing equity shareholders' funds	2,908,682	2,158,181

18. FINANCIAL COMMITMENTS

There were no capital or operating lease commitments at 31 July 2001 (2000 : £NIL)

19. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption granted under FRS8 which does not require disclosure of transactions between subsidiary undertakings as more than 90% of the company's voting rights are controlled within the Group.

20. CONTINGENT LIABILITY

The company has guaranteed the bank overdrafts of its fellow group undertakings. As 30 July 2001, the amount secured under the guarantee amounted to £3,630,864 (2000: £3,347,278).

21. PARENT UNDERTAKING

The ultimate parent company is Boparan Holdings Limited, which is registered in England and Wales. Group accounts are available from Companies House, on payment of the appropriate fee.