Company No: 3475845

2 Sisters Food Services Limited

Annual Report

Year ended 31 July 2003

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Company Information

Directors	R S Boparan B K Boparan B Noble – resigned 20 September 2002 J Silk – appointed 16 December 2003
Secretary	J Silk
Registered office	Unit 3 Bevan Way Smethwick Warley West Midlands B66 1AW
Registered number	3475845
Auditors	RSM Robson Rhodes LLP 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 2003.

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 £1,000,000 was paid during the year (2002: £Nil). The directors do not propose the payment of a final dividend (2002: £Nil).

Employees

During the year the company continued to provide employees with relevant information and to seek their views on matters of common concern through their representatives and through line managers.
Priority is given to ensuring that employees are aware of all significant matters affecting the company's trading position and of any significant organisational changes.

It is the policy of the company to support the employment of disabled persons where possible, both in recruitment and by retention of employees who become disabled whilst in the employment of the company, as well as generally through training and career development.

Payment to creditors:

It is company policy to agree and clearly communicate the terms of payment as part of the commercial arrangement negotiated with suppliers and then to pay according to those terms based on the timely receipt of an accurate review. Trade creditor days of the company for the year ended 31 July 2003 were 75.0 days (2002 – 84.0 days), calculated in accordance with the requirements set down in the Companies Act 1985. This represents the ratio, expressed in days between the amounts invoiced to the company by its suppliers in the year and the amounts due at the year end to trade creditors due within one year.

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

On 3 May 2003, the auditors, RSM Robson Rhodes, transferred their business to RSM Robson Rhodes LLP. A resolution to re-appoint RSM Robson Rhodes LLP will be proposed at the forthcoming Annual General Meeting.

Approval

The report of the directors was approved by the Board on 3 February 2004 and signed on its behalf by:



J Silk
Secretary

Independent Auditors' Report to the Shareholders of 2 Sisters Food Services Limited

We have audited the financial statements on pages 5 to 17.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

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 misstatement 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 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
Birmingham, England
3 February 2004

Profit and Loss Account

for the year ended 31 July 2003

	Note	2003 £	2002 (as restated) £
Turnover - continuing operations	2	35,404,724	33,148,447
Cost of sales		(32,330,814)	(31,106,296)
Gross profit		3,073,910	2,042,151
Distribution costs		(307,755)	(376,053)
Administrative expenses		(1,232,559)	(1,344,678)
Operating profit - continuing operations	3	1,533,596	321,420
Interest receivable	4	-	15,000
Interest payable	5	(17,275)	(29,624)
Profit on ordinary activities before taxation		1,516,321	306,796
Tax on profit on ordinary activities	8	(356,603)	(72,055)
Profit on ordinary activities after taxation		1,159,718	234,741
Dividends	9	(1,000,000)	-
Retained profit for the year	17	159,718	234,741

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

Balance Sheet

at 31 July 2003

	Note	2003 £	2002 (as restated) £
Fixed assets			
Tangible assets	10	706,106	1,018,984
Current assets			
Stocks	11	778,307	1,229,811
Debtors	12	8,942,021	13,103,021
		9,720,328	14,332,832
Creditors: Amounts falling due within one year	13	(7,090,428)	(12,128,777)
Net current assets		2,629,900	2,204,055
Total assets less current liabilities		3,336,006	3,223,039
Creditors: Amounts falling due after more than one year	14	(32,865)	(47,250)
Provision for liabilities and charges	15	-	(32,366)
Net assets		3,303,141	3,143,423
Capital and reserves			
Called up share capital	16	2	2
Capital redemption reserve	17	2	2
Profit and loss account	17	3,303,137	3,143,419
Equity shareholders' funds	18	3,303,141	3,143,423

The financial statements were approved by the Board on 3 February 2004 and signed on its behalf by:

R S Boparan
Director

Statement of Total Recognised Gains and Losses

for the year ended 31 July 2003

	2003 £	2002 £
Profit for the financial year	159,718	234,741
Total recognised gains and losses relating to the year	159,718	234,741
Prior year adjustment (note 19)	(1,102,120)	
Total recognised gains and losses recognised since the last Annual Report	(942,402)	

Notes to the Financial Statements

31 July 2003

1. ACCOUNTING POLICIES

Basis of accounting
The financial statements are prepared in accordance with applicable United Kingdom 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 are:

Leasehold improvements	20%
Plant and machinery	20%
Fixtures, fittings and equipment	20%

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.

Deferred taxation
Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

In accordance with FRS 19 deferred tax is not provided on timing differences arising from:

a) revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date; and

b) gains on the sale of non-monetary assets, where on the basis of all available evidence it is more likely than not that the taxable gain will be rolled over into replacement assets.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Notes to the Financial Statements

31 July 2003

1. ACCOUNTING POLICIES (Continued)

Deferred taxation (continued)
Where law or accounting standards require gains and losses to be recognised in the statement of total recognised gains and losses, the related taxation is also taken directly to the statement of total recognised gains and losses in due course.

Cashflow
The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised) from the requirement to produce a cash flow statement on the grounds that it is a wholly owned subsidiary of Boporan Holdings Limited. The parent company has prepared a consolidated cash flow statement including that of the company as part of its statutory accounts for the year ended 31 July 2003.

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.

2. TURNOVER BY GEOGRAPHICAL MARKET

	2003 £	2002 £
EEC	183,000	-
United Kingdom	35,221,724	33,148,447
	35,404,724	33,148,447

3. OPERATING PROFIT

Operating profit is arrived at after charging:

	2003 £	2002 £
Auditors' remuneration	14,000	9,000
Depreciation	356,531	321,290
Operating lease rentals:		
- Hire of plant and machinery	20,902	-

4. INTEREST RECEIVABLE

	2003 £	2002 £
Bank interest receivable	-	15,000

Notes to the Financial Statements

31 July 2003

5. INTEREST PAYABLE

	2003 £	2002 £
Interest on loans and overdrafts repayable wholly within five years	13,000	18,550
Interest on leased assets	4,275	11,074
	17,275	29,624

6. EMPLOYEES

Average weekly number of employees, including directors:

	2003 No	2002 No
Production	132	160
Administration and selling	13	15
	145	175

Staff costs, including directors:

	2003 £	2002 £
Wages and salaries	2,246,544	2,459,646
Social security costs	358,078	392,044
	2,604,622	2,851,690

7. DIRECTORS

The directors received no remuneration during the year (2002 : £NIL). The emoluments of the directors are disclosed in the ultimate parent company.

Notes to the Financial Statements

31 July 2003

8. TAXATION

	2003	2002 (as restated)
	£	£
United Kingdom Corporation tax		
Current tax on income for the year	480,480	52,826
Adjustment in respect of prior year	(622,269)	440,553
Total	(141,789)	493,379
Group relief payable		
Current tax on income for the year	6,036	34,655
Adjustment in respect of prior year	528,286	(449,160)
Total	534,322	(414,505)
Deferred taxation:		
Net origination of timing differences	(36,307)	(7,677)
Adjustment in respect of prior years	377	858
Total	(35,930)	(6,819)
Current taxation	392,533	78,874
Deferred taxation	(35,930)	(6,819)
Tax on profit on ordinary activities	356,603	72,055

Notes to the Financial Statements

31 July 2003

8. TAXATION - continued

Current tax reconciliation

	2003	2002 (as restated)
	£	£
Profit on ordinary activities before taxation	1,516,321	306,796
Theoretical tax at UK corporation tax rate 30% (2002: 30%)	454,896	92,039
Effects of:		
- Expenditure that is not tax deductible	403	5,765
- Effects of marginal tax rates	(4,713)	-
- Accelerated capital allowances	35,930	9,033
- Short term timing differences	-	(2,214)
- Other timing differences not provided	-	(17,142)
- Adjustment in respect of prior years	(93,983)	(8,607)
Actual current taxation	392,533	78,874

9. DIVIDENDS

	2003	2002
	£	£
Interim paid		
On ordinary shares at £500,000 per share (2002 - £Nil)	1,000,000	-

Notes to the Financial Statements

31 July 2003

10. TANGIBLE ASSETS

	Leasehold Improve-ments £	Fixtures and fittings £	Office equipment £	Plant and machinery £	Total £
Cost					
At 1 August 2002	71,530	38,142	25,664	1,796,959	1,932,295
Additions	-	1,788	-	35,142	36,930
Intra-group transfer	-	-	-	10,103	10,103
At 31 July 2003	71,530	39,930	25,664	1,842,204	1,979,328
Depreciation					
At 1 August 2002	21,365	7,238	5,829	878,879	913,311
Charged in year	12,072	7,984	5,133	331,342	356,531
Intra-group transfer	-	-	-	3,380	3,380
At 31 July 2003	33,437	15,222	10,962	1,213,601	1,273,222
Net book value					
At 31 July 2003	38,093	24,708	14,702	628,603	706,106
At 31 July 2002	50,165	30,904	19,835	918,080	1,018,984

Included within plant and machinery are assets with net book value of £72,630 (2002: £84,265) held under finance leases. Depreciation of £11,635 (2002: £11,635) was charged on these during the year.

11. STOCKS

	2003 £	2002 £
Goods for resale	704,102	1,136,167
Packaging materials	74,205	93,644
	778,307	1,229,811

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

Notes to the Financial Statements

31 July 2003

12. DEBTORS

	2003 £	2002 £
Trade debtors	1,252,026	1,450,985
Amounts owed by parent undertaking	3,916,288	4,436,564
Amounts owed from group undertakings	3,607,761	6,593,938
Other debtors	73,895	138,523
Prepayments and accrued income	88,487	33,851
Group relief receivable	-	449,160
Deferred tax due after more than one year	3,564	-
	8,942,021	13,103,021

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Bank overdrafts (note 21)	1,715,931	3,141,583
Obligations under finance leases	14,835	14,835
Trade creditors	751,459	3,061,610
Amounts owed to parent undertakings	-	1,119,569
Amounts owed to group undertakings	3,922,561	3,756,264
Corporation tax	8,143	471,154
Group relief payable	568,977	34,655
Other taxation and social security	-	36,228
Accruals and other deferred income	105,839	491,365
Other creditors	2,683	1,514
	7,090,428	12,128,777

14. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003 £	2002 £
Obligations under licence leases		
- due between one and two years	14,385	14,835
- due between two to five years	18,480	32,415
	32,865	47,250

Notes to the Financial Statements

31 July 2003

15. PROVISION FOR LIABILITIES AND CHARGES

	£
Deferred taxation	
At 1 August 2002	32,366
Credit for the year	(35,930)
At 31 July 2003	(3,564)

The deferred tax asset at 31 July 2003, is included within debtors (note 12).

Deferred taxation, which represents full provision, comprises:

	2003 £	2002 £
Capital allowances	32,366	32,366
Other timing differences	(35,930)	-
	(3,564)	32,366

16. SHARE CAPITAL

	2003 £	2002 £
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
Allotted and fully paid		
2 Ordinary shares of £1 each	2	2

17. RESERVES

	Capital redemption reserve £	Profit and loss account £
At 1 August 2002	2	4,245,539
Prior year adjustment (note 19)	-	(1,102,120)
At 1 August 2002 as restated	2	3,143,419
Retained profit for the year	-	159,718
At 31 July 2003	2	3,303,137

Notes to the Financial Statements

31 July 2003

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 (as restated) £
Profit for the financial year	1,159,718	234,741
Dividends	(1,000,000)	-
	159,718	234,741
Opening equity shareholders funds	3,143,423	2,908,682
Closing equity shareholders' funds	3,303,141	3,143,423

19. PRIOR YEAR ADJUSTMENT

The prior period adjustment relates to a correction of a fundamental error in financial statements year ended 31 July 2002 requiring a reclassification of an intergroup balance as an external trade creditor of £1,102,120.

The impact of the prior year adjustment is to reduce profit for the year ended 31 July 2002 by the amounts shown below:

	2002 £
Cost of sales (profit before tax)	1,574,457
Taxation at 30%	(472,337)
Net prior year adjustment (profit after tax)	1,102,120

Notes to the Financial Statements

31 July 2003

20. FINANCIALCOMMITMENTS

Capital commitments
There were no capital commitments at 31 July 2003 (2002: £NIL).

Operating lease commitments
The payments which the company is committed to make in the next period under operating leases are as follows:

Plant and machinery leases expiring	2003	2002
	£	£
- Within one year	2,790	-
- Two to five years	18,112	-
	20,902	-

21. CONTINGENT LIABILITY

The company has guaranteed the bank overdrafts of its fellow group undertakings. As at 31 July 2003, the amount secured under the guarantee amounted to £nil (2002: £Nil).

22. 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.