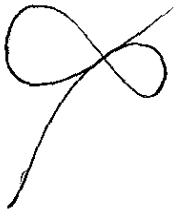
Grampian Country Pork Halls Limited

Directors' report and financial statements

Registered number 30981

31 May 2000





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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 May 2000.

Principal activities

The principal activities of the company during the year were the processing and merchanting of pigmeat products.

Business review

The company's underlying trading performance has continued to improve despite the difficult situation within the pork industry which is well documented. During the later part of the year the business was restructured to bring an appropriate shape to it, given the competitive and changing market place. The full benefit of the cost savings achieved were not fully realised in the business until after the year end. An exceptional charge of £1,045,000 was made in the year to deal with the cost of reorganisation.

Proposed dividend and transfer to reserves

The profit and loss account on page 5 shows a loss for the financial year of £1,450,000 *(1999:a loss of £1,778,000).*

The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who held office during the year were as follows:

A J Duncan (Chairman)
I M Imray
J A Jaffray
G S Mackie
D E Woolfall

None of the directors who held office at the end of the financial year had any interests in the shares of the company according to the register of directors' interests. The interests of the directors who are also directors of the ultimate holding company are shown in that company's directors' report.

Employee involvement

It is the company's policy that management should consult regularly with employees on matters which affect their employment and that their views should be taken into account when decisions are taken which will affect their interests.

Employment of disabled persons

The company employs disabled persons who are able to fulfil the required duties and such disabled persons share the same opportunities for training and career progression as other employees.

Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Iain Smith & Co
Secretaries

East Main Street
Broxburn
West Lothian

26 September 2000

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG
37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

Report of the auditors to the members of Grampian Country Pork Halls Limited

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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.

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 the company's affairs as at 31 May 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

4 October 2000

Profit and loss account

for the year ended 31 May 2000

	Note	2000 Before exceptional items £000	Exceptional items (note 3) £000	Total £000	1999 £000
Turnover	2	**58,143**	**-**	**58,143**	54,466
Change in stocks of finished goods and goods for resale		**(25)**	**-**	**(25)**	277
		58,118	**-**	**58,118**	54,743
Raw materials and consumables		**(31,428)**	**-**	**(31,428)**	(29,811)
Staff costs	5	**(14,829)**	**(1,045)**	**(15,874)**	(15,082)
Depreciation and other amounts written off tangible and intangible fixed assets		**(2,313)**	**-**	**(2,313)**	(1,952)
Other operating charges		**(10,313)**	**-**	**(10,313)**	(9,119)
Operating loss		**(765)**	**(1,045)**	**(1,810)**	(1,221)
Interest receivable and similar income	6	**-**	**-**	**-**	50
Interest payable and similar charges	7	**(576)**	**-**	**(576)**	(841)
Loss on ordinary activities before taxation	4	**(1,341)**	**(1,045)**	**(2,386)**	(2,012)
Taxation on loss on ordinary activities	8			**936**	234
Loss on ordinary activities after taxation for the financial period	17			**(1,450)**	(1,778)

All figures relate to continuing operations.

A statement of movement in reserves is shown in note 17.

The company had no recognised gains or losses other than the losses for the financial periods reported.

Balance sheet
at 31 May 2000

	Note	2000		1999	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	*9*		**19,319**		20,603
Investments	*10*		**-**		-
			19,319		*20,603*
Current assets					
Stocks	*11*	**1,415**		1,534	
Debtors	*12*	**5,735**		4,114	
Cash at bank and in hand		**1**		2	
		7,151		5,650	
Creditors: amounts falling due within one year	*13*	**(15,570)**		(14,004)	
Net current liabilities			**(8,419)**		(8,354)
Total assets less current liabilities			**10,900**		12,249
Creditors: amounts falling due after more than one year	*14*		**(8,357)**		(8,811)
Provision for liabilities and charges	*15*		**(1,935)**		(1,880)
Net assets			**608**		1,558
Capital and reserves					
Called up share capital	*16*		**680**		180
Profit and loss account	*17*		**(72)**		1,378
Shareholders' funds					
Equity		**108**		1,558	
Non-equity		**500**		-	
	18		**608**		1,558

These financial statements were approved by the board of directors on 26 September 2000 and were signed ~~on its behalf~~ by:

AJ Duncan
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about group.

Under the Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Grampian Country Food Group Limited it has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated economic lives as follows:

Freehold buildings	-	2%
Plant and machinery	-	10% to 20%
Motor vehicles	-	25%

No depreciation is provided in respect of freehold land.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is defined as average invoice cost of production including attributable overheads. Net realisable value is taken as estimated sales proceeds less selling costs.

Notes *(continued)*

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

2 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers. The turnover and profit is attributable to the processing and merchanting of pigmeat products and is derived mainly in the United Kingdom.

3 Exceptional items

During the course of the year the company completed a reoganisation of its pork processing business.

4 Loss on ordinary activities before taxation

	2000	1999
	£000	£000
Loss on ordinary activities before taxation is stated		
after charging:		
Depreciation written off tangible fixed assets:		
Owned	**1,955**	1,909
Leased	**358**	224
Auditors' remuneration – audit	**15**	8
- other services	**16**	18
Hire of plant and machinery - rentals payable under operating leases	**654**	363
Hire of other assets - operating leases	**33**	570
after crediting:		
Gain on sale of fixed assets	**-**	181

The aggregate emoluments of the directors of the company who are also directors of the ultimate holding company are disclosed in the financial statements of that company. These directors include the highest paid director whose emoluments are separately disclosed in the financial statements of that company.

The aggregate emoluments of the directors who are also directors of Grampian Country Pork Limited are disclosed in the financial statements of that company.

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2000	1999
Management and administration	**155**	165
Sales and distribution	**130**	113
Production	**638**	659
	923	937

The aggregate payroll costs of these persons were as follows:

	2000	1999
	£000	£000
Wages and salaries	**14,568**	13,535
Social security costs	**1,073**	1,132
Pension costs	**233**	415
	15,874	15,082

Pensions

The company's senior staff employees and the directors are members of group pension schemes which are operated by the ultimate holding company, Grampian Country Food Group Limited. Details of the schemes are given in the financial statements of that company.

The company operates a pension scheme providing benefits based on final pensionable pay, David A Hall Limited Retirement Benefit Plan (1972), and also operates a defined contribution scheme, David A Hall Limited Lifestyle Pension Plan. The assets of both schemes are held separately from those of the company. The most recent actuarial valuation was as at 1 December 1996, with the next actuarial valuation scheduled for 1 December 1999. This had not been completed by the scheme actuary at the date of approval of these accounts. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments and the rates of increase in salaries. It was assumed that the investment return would be 9.0% per annum. Salaries were assumed to increase at 6.5% per annum and dividends at 4% in the longer term adjusted to recognise variations over the next three years.

The pension charge for the period was £233,000 *(1999: £134,000)*. This includes £202,000 *(1999: £202,000)* in respect of the amortisation of experience surpluses that are being recognised over 14 years *(1999: 14 years)*, the average remaining service life of employees. The most recent actuarial valuation showed that the market value of the scheme's assets was £22,390,964 and that the actuarial value of those assets represented 112% of the benefits that accrued to members after allowing for expected future increases in earnings. A provision of £1,935,000 *(1999: £1,880,000)* is included in provisions for liabilities and charges, this being the excess of the accumulated pension cost over the amount paid to the trustees. This liability will not fall due within 5 years.

Notes *(continued)*

6 Interest receivable and similar income

	2000 £000	1999 £000
Receivable from group undertakings	-	50

7 Interest payable and similar charges

	2000 £000	1999 £000
On bank loans and overdrafts	429	664
On all other loans	27	53
Finance charges payable in respect of finance leases and hire purchase contracts	120	124
	576	841

8 Taxation

	2000 £000	1999 £000
Taxation based on the loss for the year:		
Group relief	(704)	(234)
Prior year tax adjustments	(232)	-
	(936)	(234)

Notes *(continued)*

9 Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost				
At beginning of year	13,348	24,128	300	37,776
Additions	-	863	-	863
Disposals	-	(251)	-	(251)
Intra-group transfers	-	619	-	619
At end of year	13,348	25,359	300	39,007
Depreciation				
At beginning of year	2,270	14,783	120	17,173
Charge for year	250	1,998	65	2,313
On disposals	-	(251)	-	(251)
Intra-group transfers	-	453	-	453
At end of year	2,520	16,983	185	19,688
Net book value				
At 31 May 2000	**10,828**	**8,376**	**115**	**19,319**
At 31 May 1999	11,078	9,345	180	20,603

Included within the total net book value of fixed assets of £19,319,000 *(1999: £2,211,000)* is £2,211,000 *(1999: £2,067,000)* in respect of assets held under finance leases and similar hire purchase agreements. The depreciation charge for the year on these assets was £358,000 *(1999: £224,000)*.

10 Investments

The company's investment of £1,250,000 in Scottish Pork Limited has been fully written off at 31 May 1999 and 2000. Scottish Pork Limited is wholly owned, is incorporated in Great Britain and registered in Scotland, and is non trading.

Notes *(continued)*

11 Stocks

	2000 £000	1999 £000
Raw materials and consumables	**608**	702
Finished goods and goods for resale	**807**	832
	1,415	1,534

12 Debtors

	2000 £000	1999 £000
Amounts falling due within one year:		
Trade debtors	**3,230**	3,360
Amount owed by group undertakings	**2,229**	452
Other debtors	**210**	246
Prepayments and accrued income	**60**	56
Amounts falling due outwith one year:	**5,729**	4,114
Pension prepayment	**6**	-
	5,735	4,114

13 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Bank overdraft	**6,439**	4,710
Government grant repayable	**165**	331
Obligations under finance leases and hire purchase contracts (note 15)	**807**	637
Trade creditors	**3,385**	3,110
Amount owed to group undertakings	**760**	443
Corporation tax	**-**	9
Other taxes and social security	**237**	266
Other creditors	**3,599**	4,311
Accruals and deferred income	**178**	187
	15,570	14,004

Bank borrowings are secured by floating charges and standard securities over the company's assets. The government grant is repayable over three years commencing on 5 February 1998 and bears interest at 7.75%. The final instalment of the grant is due on 3 November 2000.

Notes *(continued)*

14 Creditors: amounts falling due after more than one year

	2000 £000	1999 £000
Government grant repayable	-	165
Obligations under finance leases and hire purchase contracts	857	1,146
Amount owed to group undertakings	7,500	7,500
	8,357	8,811

The amount owed to group undertakings represents a loan of £7,500,000 payable to Grampian Country Pork Suffolk Limited.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2000 £000	1999 £000
Within one year	807	637
Between two and five years	857	1,146
	1,664	1,783

15 Provisions for liabilities and charges

	Pensions Benefit 2000 £000	1999 £000
At beginning of year	1,880	1,746
Increase in provision	55	134
At end of year	1,935	1,880

	Deferred taxation 2000 £000	1999 £000
The amount not provided in respect of deferred taxation is set out below:		
Accelerated capital allowances	2,370	2,598
Potential liability not provided for	(2,370)	(2,598)
Provided in the accounts	-	-

Notes *(continued)*

16 Called up share capital

	2000 £000	1999 £000
Authorised		
Equity		
200,000 ordinary shares of £1 each	**200**	200
Non-equity		
500,000 redeemable preference shares of £1 each	**500**	-
	700	200
Allotted, issued, and fully paid		
Equity		
180,000 ordinary shares of £1 each	**180**	180
Non-equity		
500,000 redeemable preference shares of £1 each	**500**	-
	680	180

On 26 May 2000, the company issued 500,000 cumulative redeemable preference shares of £1 each at par for cash.

The cumulative redeemable preference shares carry a fixed cumulative preferential dividend of 10% per annum payable twice yearly in arrears. The company has the option to redeem these shares at par at any time in whole or in part.

The holders of these shares are not entitled to vote at any general meeting unless the dividend is six months in arrears or the business of the meeting includes the consideration of winding-up the company or for a reduction in capital or adversely modifying or abrogating any of the special rights or privileges attached to the Preference Shares in which case the holders thereof shall only be entitled to vote at the relevant meeting in respect of such resolutions.

The cumulative redeemable preference shareholders rank before the ordinary shareholders on a winding-up of the company. On winding up, the cumulative redeemable preference shareholders are entitled to the nominal value of the shares together with any arrears of dividend.

17 Profit and loss account

	2000 £000	1999 £000
At beginning of year	**1,378**	3,156
Loss for the financial year	**(1,450)**	(1,778)
At end of year	**(72)**	1,378

Notes *(continued)*

18 Reconciliation of movements in shareholders' funds

	2000 £000	1999 £000
Loss for the financial year	**(1,450)**	(1,778)
New share capital subscription	**500**	-
Net reduction in shareholders funds	**(950)**	(1,778)
At beginning of year	**1,558**	3,336
At end of year	**608**	1,558

19 Commitments

(i) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2000 £000	1999 £000
Contracted for	**259**	149

(ii) At the end of the financial year, the company had annual commitments under non-cancellable operating leases for items other than land and buildings are as follows:

	2000 Other £000	1999 Other £000
Operating leases which expire:		
Within one year	**170**	166
In the second to fifth years inclusive	**137**	449
	307	615

20 Contingent liabilities

The company has provided a guarantee to the Intervention Board for Agricultural Produce for £10,000 *(1999: £10,000).*

The company has granted to, and received from, all other trading subsidiaries of Grampian Country Food Group Limited, and from that company, unlimited cross guarantees which are covered by the floating charges and standard securities (amounting to £116,304,000 *(1999: £127,929,000)* - secured in the first instance against the assets of the borrowing company).

21 Ultimate holding company

The directors consider Grampian Country Food Group Limited, registered in Scotland, to be the ultimate holding company at the balance sheet date.

The largest group in which the results of the company are consolidated is that headed by Grampian Country Food Group Limited. No other group accounts include the results of the company. The consolidated accounts of this group are available to the public and may be obtained from the Registrar of Companies, 37 Castle Terrace, Edinburgh.