Broomco (2705) Limited

Directors' report and consolidated financial statements

Registered number 4317613

31 December 2003

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The principal activity of the Company is to act as a holding company for the Group.

The principal activities of the Company's subsidiary undertakings are the manufacture and distribution of food products.

Business review

The Group's results for the year as shown on page 7 were disappointing.

After the year end, a number of initiatives were implemented with the objective of sharply improving commercial performance and liquidity. Significant success was achieved in driving forward sales growth and profitability at Cauldron Foods Limited following completion of the plant expansion programme; in establishing Martlet Natural Foods Limited as a stand-alone business; in improving operating performance at Rayner against the backdrop of price pressure from the supermarket multiples on own-label products and a lack of the funds required to restructure this business to achieve sustainable profitability; in tight and effective management of working capital across the Group; in reducing debt load through the sale and leaseback of a freehold property; and in vigorously pursuing the disposal of the Rayner and Martlet businesses to prospective trade buyers.

Ultimately however, these efforts proved unsuccessful and regrettably both Rayner and Martlet were unable to be sold and eventually were placed in administration (refer to Notes 27 and 28). Since then, the Directors have continued to work jointly with the Administrator to maximise returns to all stakeholders.

Post Balance sheet Events

Since 31 December 2003, Directors have pursued a strategy of maximising realisable value within the Group.

After 31 December 2003, a number of post balance sheet events occurred.

On 28 May 2004, a freehold property was sold by Rayner & Company Limited for £4,100,000 and was leased back (refer to Note 25).

On 21 June 2004, the Group undertook a reorganisation to enable the individual constituent parts of the Group to be sold separately. In connection with the reorganisation, the Company gave indemnities to Rayner & Company Limited and to Rayner Food Group Limited that they could call on in the event that they were unable to pay their creditors in full (refer to Note 26).

On 31 July 2004, all amounts outstanding to NIB Capital Bank NV, holders of debentures issued by the Company, became payable on demand. Since that date, the Bank Loans have continued to be rolled forward at the previously applicable interest rates (refer to Note 29).

On 23 December 2004, two of the three trading subsidiaries, Rayner & Company Limited and Martlet Natural Foods Limited, were placed in administration (refer to Note 27 and 28 respectively). Since their administration, significant payments have been made by the administrators to reduce the Bank Loans (refer to Note 29).

The administration of Rayner and Martlet would have caused the amounts due to the Loan Stock holders to become payable but on 17 October 2003, Loan Stock holders agreed to a standstill on repayments until 31 December 2006. In addition, on 21 June 2004, Loan Stock Holders agreed to a standstill on repayments until any amounts that might be due under the indemnities are paid in full (refer to Note 30).

On 28 January 2005, NIB Capital Bank NV, holders of debentures issued by Broomco (2705) Ltd, appointed a fixed charge receiver over the shares in Cauldron Foods Limited owned by Rayner & Co (Investments) Ltd. For the avoidance of doubt, Rayner & Co (Investments) Ltd. and Cauldron Foods Limited are NOT themselves subject to any type of formal insolvency (refer to Note 31).

Directors' report ***(continued)***

Research and development

The Group carried out research and development in support of existing activities, specific new product development and the improvement of production processes.

Proposed dividend

The directors do not recommend the payment of a dividend.

Employees

The maintenance of a skilled workforce is a key to the future of the business. Health and safety matters are given special attention by committees within the Group.

The Group recognises the benefits of keeping employees informed of the progress of the business and during the year employees were provided with information regarding the financial performance of the Group.

The Group employs disabled people and maintains a policy of training and adapting working methods where practicable in order to provide suitable employment to both new and existing employees in this category.

Political and charitable contributions

The Group made no political contributions during the year. Donations to UK charities amounted to £882.

Directors and directors' interests

The directors who held office during the year or who have since been appointed were as follows:

I Grant (appointed 16 October 2003)

GJJ Westerkamp

DA Lowe (appointed 5 March 2004, resigned 11 May 2005)

NS Garrow (resigned 25 February 2005)

C Savage (appointed 3 July 2003, resigned 22 December 2003)

PB Conboy (resigned 16 October 2003)

SW James (resigned 31 July 2003)

M Beard (resigned 27 May 2003)

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the Company according to the register of directors' interests:

	Ordinary A shares of 1p each	
	At 31 December 2003	**31 December 2002**
	A shares	**A shares**
NS Garrow	24,439	24,439

Ian Grant, by virtue of being a limited partner in Kleinwort Benson Equity Partners, has an interest in the A Loan Notes, B Loan Notes, D Loan Notes and C Ordinary shares of the Company.

Directors' report ***(continued)***

Auditors

A resolution concerning the re-appointment of KPMG LLP as auditors will be proposed at the forthcoming Annual General Meeting.

By order of the board

I Grant
Director

4 Bull Lane
Edmonton
London
N18 1TQ

2005

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 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 Group and to prevent and detect fraud and other irregularities.

KPMG

St James' Square
Manchester
M2 6DS
United Kingdom

Report of the independent auditor to the members of Broomco (2705) Limited

We have audited the financial statements on pages 7 to 34.

This report is made solely to the Company's members, 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 members those matters we are required to state to them in an auditor's 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's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the directors' report and, as described on page 4, 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 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 Group is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

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 Group's circumstances, consistently applied and adequately disclosed.

We planned 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. However, the evidence available to us was limited in respect of events occurring after the balance sheet date. As set out in Note 1, two of the Group's three principal trading subsidiaries, Rayner & Company Limited and Martlet Natural Foods Limited, which account for substantial elements of the amounts reported in the Group profit and loss account and the balance sheet, went into administration on 23 December 2004. At that point the subsidiaries left the control of the Group and we ceased to have access to their books and records. Directors have recognised the permanent diminution in the value of the Company's fixed asset investment in subsidiaries as explained in Notes 12, 27 and 28. There were no other satisfactory procedures that we could adopt to obtain sufficient appropriate audit evidence of any adjustments or disclosures that may have been required as at the balance sheet date once the after date review had been completed and therefore to form an opinion on the potential effect of the departure from SSAP 17 *Post balance events* described below.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the fundamental uncertainty over the future of the Company and Group. Their continued existence as a going concern depends upon the value of realisations from the administrators and the fixed charge receiver. In view of the significance of this matter, we consider that it should be drawn to your attention but our opinion is not further qualified in this respect.

Opinion: Disclaimer on view given by financial statements

As explained in Note 1, the financial statements do not contain any adjustments arising from two of the three principal subsidiaries being placed into administration after the balance sheet date. SSAP 17 states that a material post balance sheet event requires a change in the amounts to be included in the financial statements where it indicates that application of the going concern concept to the whole or a material part of the Group is not appropriate.

In our opinion, Martlet Natural Foods Limited and Rayner & Company Limited represent a material part of the Group and the adjustments which should therefore potentially have been made in the financial statements, which might include the write down of assets to their recoverable amount, might have had a significant effect on both the net assets of the Company and Group and the Group's loss for the year. In the absence of access to the companies' books and records, it is not practicable to assess this possible effect.

Because we are unable to assess the possible effect of this departure from accounting standards, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and Group as at 31 December 2003 and of the loss of the Group for the year then ended. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the Companies Act 1985.

In respect solely of the limitation on our work relating to the post balance sheet administration of subsidiaries, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

23/5 2005

Consolidated profit and loss account
for the year ended 31 December 2003

	Note	Year ended 31 December 2003 £000	Year ended 31 December 2003 £000	Period ended 31 December 2002 £000	Period ended 31 December 2002 £000
Turnover	2		39,324		39,615
Cost of sales			(32,090)		(30,470)
Gross profit			7,234		9,145
Distribution costs			(4,780)		(5,149)
Administrative expenses before exceptional items		(3,798)		(3,089)	
Exceptional costs	4	(2,470)		(4,558)	
Administrative expenses			(6,268)		(7,647)
Group operating loss	3-6		(3,814)		(3,651)
Profit on sale of operation			-		782
Other interest receivable and similar income	7		96		170
Interest payable and similar charges	8		(2,414)		(1,945)
Loss on ordinary activities before taxation			(6,132)		(4,644)
Tax on loss on ordinary activities	9		(929)		1,939
Loss on ordinary activities after taxation			(7,061)		(2,705)
Dividends			-		15
Retained loss for the financial period			(7,061)		(2,690)

The Group has no recognised gains or losses other than the losses for the periods reported above.

All amounts are derived from continuing operations.

Consolidated balance sheet
at 31 December 2003

	Note	2003 £000	2003 £000	2002 £000	2002 £000
Fixed assets					
Intangible assets	*10*		**8,753**		9,234
Tangible assets	*11*		**11,746**		14,049
			20,499		23,283
Current assets					
Stocks	*13*	**4,059**		4,417	
Debtors	*14*	**6,515**		8,576	
Cash at bank and in hand		**680**		2,848	
		11,254		15,841	
Creditors: amounts falling due within one year	*15*	**(14,930)**		(41,767)	
Net current liabilities			**(3,676)**		(25,926)
Total assets less current liabilities			**16,823**		(2,643)
Creditors: amounts falling due after one year	*16*		**(26,525)**		-
Net liabilities			**(9,702)**		(2,643)
Capital and reserves					
Called up share capital	*18*		**18**		18
Merger reserve	*19*		**31**		29
Profit and loss account	*19*		**(9,751)**		(2,690)
Equity shareholders' funds			**(9,702)**		(2,643)

These financial statements were approved by the board of directors on 20th May 2005 and were signed on its behalf by:

I Grant
Director

Company balance sheet
at 31 December 2003

	Note	2003 £000	2003 £000	2002 £000	2002 £000
Fixed assets					
Investments	*12*		**20,000**		29,006
Current assets					
Debtors	*14*	**10,437**		10,038	
Cash at bank and in hand		**-**		2,000	
		10,437		12,038	
Creditors: amounts falling due within one year	*15*	**(16,659)**		(42,436)	
Net current liabilities			**(6,222)**		(30,398)
Total assets less current liabilities			**13,778**		(1,392)
Creditors: amounts falling due after one year	*16*		**(26,525)**		-
Net liabilities			**(12,747)**		(1,392)
Capital and reserves					
Called up share capital	*18*		**18**		18
Merger reserve	*19*		**31**		29
Profit and loss account	*19*		**(12,796)**		(1,439)
Equity shareholders' funds			**(12,747)**		(1,392)

These financial statements were approved by the board of directors on 20th May 2005 and were signed on its behalf by:

I Grant
Director

Consolidated cash flow statement

for the year ended 31 December 2003

	Note	Year ended 31 December 2003 £000	Period ended 31 December 2002 £000
Cash flow statement			
Cash flow from operating activities	22	(16)	14,472
Returns on investments and servicing of finance	23	(660)	(2,115)
Taxation		82	(35)
Capital expenditure	23	(576)	(5,068)
Acquisitions and disposals	23	-	2,545
Cash (outflow)/inflow before financing		(1,170)	9,799
Financing	23	(998)	(6,951)
Increase/(decrease) in cash in the period		(2,168)	2,848

Reconciliation of net cash flow to movement in net debt

	Note	Year ended 31 December 2003 £000	Period ended 31 December 2002 £000
Increase/(decrease) in cash in the period		(2,168)	2,848
Issue of new loan stock		(1,000)	-
Repayment of debt		2,000	6,980
Change in net debt resulting from cash flows		(1,168)	9,828
Debt acquired with subsidiary		-	(34,465)
Unwinding of redemption on loan stock		(138)	-
Interest on loan stock rolled up into principal		(402)	-
Movement in net debt in the period		(1,708)	(24,637)
Net debt at the start of the period		(24,637)	-
Net debt at the end of the period	24	(26,345)	(24,637)

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2003

	Group Year ended 31 December 2003 £000	**Company Year ended 31 December 2003 £000**	Group Period ended 31 December 2002 £000	Company Period ended 31 December 2002 £000
Loss for the financial period	**(7,061)**	**(11,357)**	(2,690)	(1,439)
	(7,061)	**(11,357)**	(2,690)	(1,439)
New share capital subscribed (net of issue costs)	**2**	**2**	47	47
Net reduction in shareholders' funds	**(7,059)**	**(11,355)**	(2,643)	(1,392)
Opening shareholders' funds	**(2,643)**	**(1,392)**	-	-
Closing shareholders' funds	**(9,702)**	**(12,747)**	(2,643)	(1,392)

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 except as noted below. The Company has followed the transitional arrangements of FRS 17 'Retirement benefits' in these financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain land and buildings.

On 17 October 2003, the Company agreed refinancing terms with its Bank Loan provider and Loan Stock holders agreed to a standstill on receiving payment until 31 December 2006.

Subsequent to 31 December 2003, the Group undertook a number of actions to secure refinancing and sustainable profitability, as set out in the Directors report and Notes 25 to 30.

However, on 23 December 2004, the subsidiaries Rayner & Company Limited and Martlet Natural Foods Limited, were placed in administration. On 28 January 2005, NIB Capital Bank NV, holders of debentures issued by Broomco (2705) Limited, appointed a fixed charge receiver over the shares of Cauldron Foods Limited. From these date these subsidiaries were not under the control of Broomco (2705) Limited. No adjustments have been made to the Group accounts to reflect the subsidiaries entering administration and the balance sheet on a break-up basis.

The net assets of Rayner & Company Limited at 31 December 2003 were £11,349,000 and the turnover for the year then ended was £22,517,000.

The net liabilities of Martlet Natural Foods Limited at 31 December 2003 were £250,000 and the turnover for the year then ended was £4,568,000.

The accounts have been prepared on the going concern basis. Directors have adopted the going concern basis as the sale of the Group's main asset is being progressed. During this process, the Bank Loan provider has continued its support and the majority of other creditors have agreed to defer receiving payment. After the sale has been completed, there is uncertainty as to whether Broomco will be able to meet its obligations in full.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2003. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

Goodwill

Goodwill arising on consolidation is capitalised on acquisition and written off to the profit and loss account by equal instalments over twenty years.

Intangible fixed assets and amortisation

Patent rights and brands purchased by the Company are amortised to nil by equal annual instalments over their useful economic lives, generally their respective unexpired periods, of between eight and twenty years.

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets and depreciation

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

Freehold buildings	-	4% reducing balance
Leasehold land and buildings	-	life of lease
Plant and machinery	-	10% - 25% straight line
Fixtures, fittings, tools and equipment	-	10% - 33.3% straight line

No depreciation is provided on freehold land.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

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.

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

Post-retirement benefits

The Group operated a defined benefit pension scheme which is now being wound up. The accounting treatment of this scheme is set out in note 21.

The Group operates a stakeholder contribution scheme. Contributions made by the Group are charged to the profit and loss account in the period in which they arise.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the period in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises material cost plus attributable production, labour and associated overheads. Net realisable value is based on estimated selling price less further costs to completion and all relevant marketing, selling and distribution costs.

Taxation

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

Deferred tax is recognised, with discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes *(continued)*

1 Accounting policies *(continued)*

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of food products to customers.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

2 Analysis of turnover

Turnover is derived from the sale of food products and is analysed by geographical destination as follows:

	Year ended 31 December 2003 £000	Period ended 31 December 2002 £000
UK	**36,967**	36,772
Rest of World	**2,357**	2,843
	39,324	39,615

3 Loss on ordinary activities before taxation

	Year ended 31 December 2003 £000	Period ended 31 December 2002 £000
Loss on ordinary activities before taxation is stated after charging		
Auditors' remuneration:		
Audit – Group	**50**	42
Audit – Company	**2**	3
Other services - fees paid to the auditor and its associates	**32**	41
Depreciation and other amounts written off tangible fixed assets:		
Owned	**1,170**	1,036
Leased	**-**	12
Amortisation of goodwill	**482**	490
Hire of plant and machinery - rentals payable under operating leases	**278**	255
Hire of other assets - operating leases	**530**	395

Notes *(continued)*

4 Exceptional items - Group

Exceptional costs are analysed as follows:

	Year ended 31 December 2003 £000	Period ended 31 December 2002 £000
Pension scheme wind up costs (see note 21)	119	4,558
Costs of refinancing	249	-
Redundancy and restructuring costs	393	-
Impairment losses on fixed assets	1,709	-
	2,470	4,558

5 Remuneration of directors

	Year ended 31 December 2003 £000	Period ended 31 December 2002 £000
Directors' emoluments	157	231
Compensation for loss of office	150	-
Amounts paid to third parties in respect of directors' services	136	40
Company contributions to pension schemes	-	18
	443	289

The aggregate emoluments of the highest paid director were:

	Year ended 31 December 2003 £000	Period ended 31 December 2002 £000
Directors' emoluments	48	122
Compensation for loss of office	92	-
Company contributions to pension schemes	-	11
	140	133

Number of directors	**Year ended 31 December 2003**	**Period ended 31 December 2002**
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	-	2

Notes *(continued)*

6 Staff numbers and costs

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

	Number of employees	
	Year ended 31 December 2003	Period ended 31 December 2002
Production	**359**	343
Selling and distribution	**56**	60
Administration	**37**	32
	452	435

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2003 £000	Period ended 31 December 2002 £000
Wages and salaries	**8,381**	7,974
Social security costs	**920**	704
Other pension costs	**177**	371
	9,478	9,049

7 Other interest receivable and similar income - Group

	Year ended 31 December 2003 £000	Period ended 31 December 2002 £000
Bank interest	**94**	166
Other	**2**	4
	96	170

Notes *(continued)*

8 Interest payable and similar charges - Group

	Year ended 31 December 2003 £000	Period ended 31 December 2002 £000
On bank loans and overdrafts	**1,473**	1,048
On loan stock	**941**	893
Finance charges payable in respect of finance leases and hire purchase contracts	**-**	4
	2,414	1,945

9 Taxation

	Year ended 31 December 2003 £000	Period ended 31 December 2002 £000
UK corporation tax		
Adjustments in respect of prior periods	-	(172)
Total current tax	-	(172)
Deferred tax		
Origination/reversal of timing differences	765	(1,767)
Adjustments in respect of prior periods	164	-
Tax Charge/(Credit) on profit/loss on ordinary activities	929	(1,939)

Notes *(continued)*

9 Taxation (continued)

Factors affecting the tax Charge /(credit) for the current period and prior period

The current tax credit for the period is lower than the standard rate of corporation tax in the UK (30% (2002: 30%). The differences are explained below.

	Year ended 31 December 2003 £000	Period ended 31 December 2002 £000
Current tax reconciliation		
Loss on ordinary activities before tax	**(6,132)**	(4,644)
Current tax at 30 % (2002: 30%)	**(1,840)**	(1,393)
Effects of:		
Expenses not deductible for tax purposes	**572**	666
Non taxable income	**-**	(316)
Short term timing differences	(4)	32
Depreciation for period in excess of capital allowances	**257**	126
Other timing differences	**(50)**	1,595
Small companies relief	**138**	(710)
Creation of tax losses	**934**	-
Other	**(7)**	-
Adjustments to tax charge in respect of previous periods	**-**	(172)
Total current tax credit (see above)	**-**	(172)

10 Intangible fixed assets

	Goodwill £000
Group	
Cost	
At beginning and end of year	9,825
Amortisation	
At beginning of year	590
Charged in year	482
At end of year	1,072
Net book value	
At 31 December 2003	**8,753**
Net book value	
At 31 December 2002	9,235

Company

The Company has no intangible fixed assets.

Notes *(continued)*

11 Tangible fixed assets

Group	Land and buildings £000	Short term Leasehold Improvements £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost					
At beginning of year	5,275	3,093	12,229	3,284	23,881
Additions	-	24	494	58	576
Disposals	-	-	-	-	-
Transfers between items	-	-	114	(114)	-
At end of year	5,275	3,117	12,837	3,228	24,457
Depreciation					
At beginning of year	343	225	6,866	2,398	9,832
Charge for the period	115	114	736	205	1,170
Impairment losses	232	-	1,268	209	1,709
On disposals	-	-	-	-	-
Transfer between items	-	-	103	(103)	-
At end of period	690	339	8,973	2,709	12,711
Net book value					
At 31 December 2003	**4,585**	**2,778**	**3,864**	**519**	**11,746**
At 31 December 2002	4,932	2,868	5,363	886	14,049

Company

The Company has no tangible fixed assets.

Notes *(continued)*

12 Fixed asset investments

	Shares in Group undertakings £000
Company	
Cost	
At beginning and end of year	29,006
Provisions	
At beginning of year	-
Permanent diminution in value	9,006
At end of year	9,006
Net book value at 31 December 2003	**20,000**
Net book value at 31 December 2002	29,006

The permanent diminution in value of £9,006,000 has arisen as a result of the Directors review of the carrying value of the Company's investment in Rayner Food Group Limited during the year, and in the light of the administration of Rayner & Company Limited and Martlet Natural Foods Limited (refer to Notes 27 and 28 respectively).

The Company holds 100% of the share capital and voting rights of the following companies. The companies listed below include those which principally affect the profits and assets of the Group, all of which are incorporated in the United Kingdom and registered in England

	Principal activity	Percentage of shares held
Subsidiary undertakings		
Rayner Food Group Limited	Holding company	100%
Rayner and Company Limited	Manufacture and sale of food products	100%
Cauldron Foods Limited	Manufacture and sale of health food products	100%*
Martlet Natural Foods Limited	Manufacture and sale of health food products	100%*

* Indirect holding through Rayner and Company Limited.

A full list of subsidiary undertakings will be included in the Company's Annual Return.

On 21 June 2004, there was a reorganisation and changes of ownership within the Group (refer to Note 26) and on 23 December 2004, Rayner & Company Limited and Martlet Natural Foods Limited were placed in administration (refer to Notes 27 and 28 respectively).

Notes *(continued)*

13 Stocks

	Group 2003 £000	**Company 2003 £000**	Group 2002 £000	Company 2002 £000
Raw materials and consumables	**2,226**	**-**	2,648	-
Finished goods and goods for resale	**1,833**	**-**	1,769	-
	4,059	**-**	4,417	-

14 Debtors

	Group 2003 £000	**Company 2003 £000**	Group 2002 £000	Company 2002 £000
Trade debtors	**5,350**	**-**	6,320	-
Amounts owed by Group undertakings	**-**	**10,437**	-	9,405
Corporation tax	**36**	**-**	118	576
Deferred tax	**440**	**-**	1,369	-
Other debtors	**311**	**-**	393	57
Prepayments and accrued income	**378**	**-**	376	-
	6,515	**10,437**	8,576	10,038

Please refer to Note 26 regarding post balance sheet events relating to amounts owed by Group undertakings.

Notes *(continued)*

15 Creditors: amounts falling due within one year

	Group 2003 £000	**Company 2003 £000**	Group 2002 £000	Company 2002 £000
Bank loans and overdrafts	**500**	**500**	13,020	13,020
Loan stock	**-**	**-**	14,465	14,465
Trade creditors	**5,758**	**-**	6,480	-
Amounts owed to Group undertakings	**-**	**13,817**	-	13,684
Taxation and social security	**261**	**-**	258	-
Other creditors	**5,882**	**-**	6,043	-
Accruals and deferred income	**2,529**	**2,342**	1,501	1,267
	14,930	**16,659**	41,767	42,436

Please refer to Notes 25 to 30 regarding post balance sheet events.

Group

Included within other creditors is £5,214,000 *(2002: £5,381,000)* relating to the settlement of the pension scheme liability (see also note 21). The remaining amount of £668,000 *(2002: £662,000)* relates to miscellaneous other creditors.

16 Creditors: amounts falling due after more than one year

	Group 2003 £000	**Company 2003 £000**	Group 2002 £000	Company 2002 £000
Bank loans and overdrafts	**10,922**	**10,922**	-	-
Loan stock	**15,603**	**15,603**	-	-
	26,525	**26,525**	-	-

Refer to Notes 25 to 30 regarding post balance sheet events, Note 29 for Bank Loans and Note 30 for Loan Stock.

Bank loan

The bank loan of £11,422,000 is secured by a fixed and floating charge over the assets of the Group. Interest is charged at 2.81% above LIBOR. Additional interest is also accrued on an increasing scale. The rate of additional interest applicable from 17 October 2003 to the year end was 7.33%.

The bank loan is repayable as follows:

Group and Company	**2003 £000**	2002 £000
Within one year	**500**	13,020
Between one and two years	**10,922**	-
	11,422	13,020

Notes *(continued)*

16 Creditors: amounts falling due after more than one year *(continued)*

Loan stock

The loan stock is unsecured and comprised subordinated A loan notes, B loan notes and D loan notes as follows:

	Group 2003 £000	**Company 2003 £000**	Group 2002 £000	Company 2002 £000
A loan notes	**1,265**	**1,265**	1,265	1,265
B loan notes	**13,200**	**13,200**	13,200	13,200
D loan notes	**1,138**	**1,138**	-	-
	15,603	**15,603**	14,465	14,465

Interest is payable at a rate of 5% on the A loan notes and 6% on the B loan notes. No interest is payable on the D loan notes. The A and B loan notes are repayable on 31 March 2008. D loan notes with a nominal value of £1million were issued during the year and when issued were repayable on 1 July 2005. The D loan notes have a redemption value of £2 million. The redemption premium on D loan notes has been recognised rateably as interest payable.

The loan notes are repayable as follows:

Group and Company	**2003 £000**	2002 £000
Within one year	-	14,465
Between one and two years	**1,138**	-
Between two and five years	**14,465**	-
	15,603	14,465

Notes *(continued)*

17 Deferred tax

	Taxation including deferred taxation £000
Group	
At beginning of year	(1,369)
Charge to the profit and loss for the year	929
At end of year	(440)

The elements of deferred taxation are as follows:

	2003 £000	2002 £000
Difference between accumulated depreciation and amortisation and capital allowances	**176**	268
Short term timing differences	**(20)**	(43)
Other timing differences	**(596)**	(1,594)
Tax losses	**-**	-
Undiscounted asset	**(440)**	(1,369)
Deferred tax asset (see note 14)	**(440)**	(1,369)

At the year end the Group had a total potential deferred tax asset of £2,341,000 *(2002: £1,369,000)*. £1,901,000 *(2002: £nil)* of this asset has not been recognised in the accounts as the Group is unlikely to have suitable taxable profits against which the asset can be recovered in the foreseeable future.

Company

At the year end the Company had a total potential deferred tax asset of £243,000 *(2002: £nil)*. This has not be recognised in the accounts as the Company is unlikely to have suitable taxable profits against which the asset can be recovered in the foreseeable future.

Notes *(continued)*

18 Called up share capital

	Number	2003 £000	2002 £000
Authorised			
Equity:			
A ordinary shares of 1p each	**375,000**	**4**	4
B ordinary shares of 1p each	**109,999**	**1**	1
C ordinary shares of 1p each	**1,300,000**	**13**	13
D ordinary shares of 1p each	**44,625**	**-**	-
		18	**18**
Allotted, called up and fully paid			
Equity:			
A ordinary shares of 1p each	**364,019**	**4**	4
B ordinary shares of 1p each	**109,999**	**1**	1
C ordinary shares of 1p each	**1,300,000**	**13**	13
D ordinary shares of 1p each	**29,250**	**-**	-
Total assets		**18**	**18**

During the year, 1,854 'A' ordinary shares of 1p were issued at £1.027 each.

- The holders of Class C ordinary shares shall be entitled to a cumulative preferential participating cash dividend of an amount equal to the following percentages of the adjusted profits (exclusive of any associated tax credit):

  in respect of the Accounting Period commencing on 1 January 2004 and ending on 31 December 2004, 12.5.%;

  in respect of the Accounting Periods ending 2005 and 2006, 17.5%;

  in respect of all Accounting Periods subsequent to 31 December 2006, 22.5%

- In the event of a winding up, the assets and retained profits of the Company available for distribution among the members shall be applied as follows:

  firstly in paying C shareholders

  secondly in paying B shareholders

  thirdly in paying A shareholders

  fourthly in paying D shareholders

- All shares carry one vote each.

Notes *(continued)*

19 Reserves

	Merger reserve £000	Profit and loss account £000
Group		
At beginning of year	29	(2,690)
Retained loss for the year	-	(7,061)
Premium on share issues, net of issue costs	2	-
At end of year	31	(9,751)

	Merger reserve £000	Profit and loss account £000
Company		
At beginning of year	29	(1,439)
Retained loss for the year	-	(11,357)
Premium on share issues, net of issue costs	2	-
At end of year	31	(12,796)

20 Commitments

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

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Contracted	-	-	326	-

(b) At the end of the financial year the Group had entered into purchase commitments amounting to £1,163,000 *(2002: £1,151,000)* in respect of raw materials.

At the end of the financial year, the Company had no purchasing commitments *(2002: £nil).*

Notes *(continued)*

20 Commitments *(continued)*

(c) Annual commitments under non-cancellable operating leases are as follows:

	2003		2002	
	Land and buildings	**Other**	Land and buildings	Other
	£000	**£000**	£000	£000
Group				
Operating leases which expire:				
Within one year	-	**57**	-	96
In the second to fifth years inclusive	-	**156**	-	165
Over five years	**408**	**2**	277	2
	408	**215**	277	263

Company

The Company had no commitments under non-cancellable operating leases.

21 Pension scheme

The Group operated a defined benefit pension scheme (The Rayner & Company Limited Staff Pension Fund) providing benefits based on final pensionable pay. During the period ended 31 December 2002, the Company gave notice of closure of the scheme, which in turn commenced the wind-up of this scheme. These accounts reflect the likely estimate of costs of closure, as set out in note 4.

On 17 October 2003, the Trustees of the pension fund, Broomco (2705) Limited and certain of its subsidiaries and agreed terms and conditions regarding settlement of such amounts as may be due to the scheme. As of the date of these accounts, the Trustees of the scheme had not served debt upon the relevant employers.

The assets of the scheme are held separately from those of the Group. Excluding the estimate of closure costs, the total pension contributions for the Group were £nil (*2002: £211,000*). Since closure of that scheme, the Group has operated a defined contribution pension scheme

The contributions to the defined benefit scheme are determined by a qualified actuary on the basis of valuations using the projected unit credit method. The most recent valuation was at 31 March 2001. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. The assumptions in the most recent valuation were that the investment returns would be 6% per annum, that salary increases would average 4% per annum and that pensions would increase at the rates guaranteed in the rules.

The most recent valuation showed that the market value of the scheme's assets was £10,094,000 and that the actuarial value of those assets was sufficient to cover 100% of the benefits that had accrued to members after allowing for expected future increases in earnings. The contribution of the Group was 16.2% and the contribution of employees was 5%.

Whilst the Company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs', under FRS 17 'Retirement benefits' the following transitional disclosures are required.

Notes *(continued)*

21 Pension scheme *(continued)*

FRS 17 disclosures

The draft actuarial valuation of the Rayner & Company Limited Staff Pension Fund at 31 March 2001 was updated to 31 December 2003 by a qualified actuary, using a set of assumptions consistent with those required under FRS 17.

The major assumptions used by the actuary were:

	2003	**2002**
Rate of increase in pensionable salaries	-	-
Rate of increase in pensions in payment for post April 1997 service	3.0%	2.5%
Rate of increase in deferred pensions	3.0%	2.5%
Discount rate	5.4%	5.5%
Inflation assumption	3.0%	2.5%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 2003 £000	**Long term rate of return 2003**	Value at 2002 £000	Long term rate of return 2002
Equities	**6,763**	**8%**	6,133	8%
Gilts	**1,460**	**4.5%**	1,447	4.5%
Cash	**458**	**4%**	283	3.5%
	8,681		7,863	
Present value of scheme liabilities	**(12,963)**		(11,582)	
Deficit in the scheme – Pension liability	**(4,282)**		(3,719)	
Related deferred tax asset (assumed 30% tax rate)	**1,285**		1,116	
Net pension liability	**(2,997)**		**(2,603)**	

Notes *(continued)*

21 Pension scheme *(continued)*

Movement in deficit during the period

	2003 £000	2002 £000
Deficit in scheme at beginning of period	**(3,719)**	(857)
Current service cost	-	(367)
Contributions paid	-	211
Gains on settlements or curtailments	-	715
Other finance cost	**(77)**	(23)
Actuarial loss	**(486)**	(3,398)
Deficit in the scheme at end of period	**(4,282)**	(3,719)

If FRS 17 had been fully adopted in these financial statements the pension costs for defined benefit schemes would have been:

Analysis of other pension costs charged in arriving at operating loss

	2003 £000	2002 £000
Current service cost	-	367
Gains on settlements or curtailments	-	(715)
	-	(348)

Analysis of amounts included in other finance costs

	2003 £000	2002 £000
Expected return on pension scheme assets	548	620
Interest on pension scheme liabilities	(625)	(648)
	(77)	(28)

Analysis of amount recognised in statement of total recognised gains and losses

	2003	2002
Actual return less expected return on scheme assets (£000)	700	(2,426)
Percentage of year end scheme assets	8.9%	31%
Experience gains and losses arising on scheme liabilities (£000)	71	116
Percentage of present value of year end scheme liabilities	0.6%	1%
Changes in assumptions underlying the present value of scheme liabilities (£000)	(1,257)	(1,088)
Percentage of present value of year end scheme liabilities	9.7%	9%
Actuarial loss recognised in the STRGL	**(486)**	**(3,398)**
Percentage of present value of year end scheme liabilities	**42%**	**29%**

Notes *(continued)*

22 Reconciliation of operating profit to operating cash flows

	Year ended 31 December 2003 £000	Period ended 31 December 2002 £000
Operating loss	**(3,814)**	(3,651)
Depreciation	**1,170**	1,048
Amortisation of goodwill	**482**	490
(Increase)/decrease in stocks	**358**	69
(Increase)/decrease in debtors	**993**	122
Increase/(decrease) in creditors	**(914)**	16,394
Impairment losses on fixed assets	**1,709**	-
Net cash inflow/(outflow) from operating activities	**(16)**	14,472

23 Analysis of cash flows

	Note	**2003 £000**	**2003 £000**	**2002 £000**	**2002 £000**
Returns on investment and servicing of finance					
Interest received			153		113
Interest paid			(813)		(2,228)
			(660)		(2,115)
Capital expenditure					
Purchase of tangible fixed assets			(576)		(5,105)
Sale of tangible fixed assets			-		37
			(576)		(5,068)
Acquisitions and disposals					
Purchase of subsidiary undertaking		-		-	
Cash acquired with subsidiary		-		1,763	
			-		1,763
Sale of business			-		782
			-		2,545
Financing					
Issue of ordinary share capital			2		47
Debt due within one year:					
Issue of new loan stock			1,000		-
Repayment of secured loan			(2,000)		(6,980)
Capital element of finance lease rental payments			-		(18)
			(998)		(6,951)

Notes *(continued)*

24 Analysis of net debt

	At beginning of year £000	Cash flow £000	Other non cash changes £000	At end of year £000
Cash in hand, at bank	2,848	(2,168)	-	680
Debt due after one year	(27,485)	1,000	25,985	(500)
Debt due within one year	-	-	(26,525)	(26,525)
Total	(24,637)	(1,168)	(540)	(26,345)

25 Post Balance Sheet Events - Sale and Leaseback of Freehold Property

On 28 May 2004, freehold land and buildings were sold by Rayner & Company Limited to Terrace Hill Developments Limited for £4,100,000 and further contingent proceeds of £875,000 subject to certain conditions being met. Subsequently a settlement of £140,000 has been agreed.

Rayner & Company Limited then entered into a leaseback arrangement with Terrace Hill (Edmonton) Limited from 28 May, 2004, for a period of fifteen months.

26 Post Balance Sheet Events - Reorganisation

On 21 June 2004, the Group undertook a reorganisation, as set out below.

Distribution of Investment in Rayner & Co (Investments) Limited

On 21 June 2004, in connection with the reorganisation, Rayner & Company Limited distributed to Rayner Food Group Limited its investment in Rayner & Co. (Investments) Limited at its net book value of £50,000.

Rayner Food Group Limited then distributed its investment in Rayner & Co. (Investments) Limited to Broomco (2705) Limited at its net book value of £50,000. Rayner & Co. (Investments) Limited is the holding company of Cauldron Foods Ltd.

Broomco (2705) Limited then wrote-off the £50,000 investment received as it was already implied in the carrying value of its investment in Rayner Food Group Limited.

Distribution of Investment in Martlet Natural Foods Limited

On 21 June 2004, in connection with the reorganisation, Rayner & Company Limited distributed to Rayner Food Group Limited its investment in Martlet Natural Foods Limited at its net book value of £448,000.

Rayner Food Group Limited then distributed to Broomco (2705) Limited its investment in Martlet Natural Foods Limited at its net book value of £448,000.

Broomco (2705) Limited then wrote-off the £448,000 investment received as it was already implied in the carrying value of its investment in Rayner Food Group Limited

Notes *(continued)*

26 Post balance sheet events - Reorganisation *(continued)*

Settlement of Inter-company Debts

On 21 June 2004, in connection with the reorganisation, Broomco (2705) Ltd repaid £6,542,212 of inter-company debt to Rayner & Company Limited; Rayner & Company Limited then repaid £6,542,212 of inter-company debt to Rayner Food Group Limited to settle the amount owed; and Rayner Food Group Limited repaid £6,542,212 of inter-company debt owed to Broomco (2705) Limited.

On 21 June 2004, in connection with the reorganisation, Rayner Food Group Limited acquired Rayner & Company Limited's £7,522,000 receivable from Broomco (2705) Limited and in consideration issued £7,522,000 in debt to Rayner & Company Limited.

Dividends Paid

On 21 June 2004, in connection with the reorganisation, Rayner & Company Limited declared and paid to Rayner Food Group Limited a dividend of £4,660,000; Rayner Food Group Limited then declared and paid to Broomco (2705) Ltd a dividend of £4,660,000. Broomco (2705) Limited then repaid net inter-company debt of £4,660,000 to Rayner Food Group Limited and Rayner Food Group Limited repaid £4,660,000 of inter-company debt to Rayner & Company Limited.

Acquisition of Rayner & Company Limited

On 21 June 2004, in connection with the reorganisation, Broomco (2705) Limited acquired Rayner & Company Limited from Rayner Food Group Limited for £1.

Indemnities to Subsidiary Undertakings

On 21 June 2004, in connection with the reorganisation, Broomco (2705) Limited gave an indemnity to Rayner & Company Limited that in the event it was unable to pay its creditors in full, it could call upon Broomco (2705) Limited. The indemnity was limited to the then value of the assets transferred from Rayner & Company Limited to Broomco (2705) Limited and covered existing liabilities and new liabilities incurred up to 21 June 2005. Directors now believe it is likely that a claim will be made under this indemnity.

On 21 June 2004, in connection with the reorganisation, Broomco (2705) Limited gave an indemnity to Rayner Food Group Limited that in the event it was unable to pay its creditors in full, it could call upon Broomco (2705) Limited. The indemnity was unlimited as to value and covered existing liabilities and new liabilities incurred up to 21 June 2005. Directors now believe it is likely that a claim will be made under this indemnity.

Notes *(continued)*

27 Post Balance Sheet Events - Administration of Rayner & Company Limited

During the course of 2004, efforts were made to improve the commercial performance of Rayner & Company Limited. Whilst these efforts met with some significant success, against the backdrop of price pressure from the supermarket multiples on own-label products, the financial resources required to restructure operations so as to achieve sustainable profitability were not available.

Management also engaged in protracted negotiations with a prospective purchaser of the Rayner business, which were ultimately unsuccessful.

On 23 December 2004, Rayner & Company Limited was placed in administration and from this date was not under the control of Broomco (2705) Limited. Save for the impairment write down of the book value of the Company's investment in Rayner Food Group (refer to Note 12) and the impairment write down of the book value of fixed assets (refer to Note 4), no adjustments have been made to the Group accounts to reflect this subsidiary entering administration. Current assets held at the balance sheet dated have since been realised for fair value. The directors believe that Rayner & Company Limited may ultimately be released from administration back under the control of Broomco (2705) Limited.

28 Post Balance Sheet Events - Administration of Martlet Natural Foods Limited

During the course of 2004, efforts were made to improve the commercial performance of Martlet Natural Foods Limited and to establish it as a viable, stand-alone operation with a view to its sale.

Management also engaged in discussions with prospective purchasers, which were ultimately unsuccessful.

On 23 December 2004, Martlet Natural Foods Limited was placed in administration and from this date was not under the control of Broomco (2705) Limited. Save for the impairment write down of the book value of the Company's investment in Rayner Food Group (refer to Note 12), no adjustments have been made to the Group accounts to reflect this subsidiary entering administration. Current assets held at the balance sheet dated have since been realised for fair value. The directors do not believe that Martlet Natural Foods Limited is likely to be released from administration back under the control of Broomco (2705) Limited.

Notes *(continued)*

29 Post Balance Sheet Events - Bank Loans

The Bank Loans are debentures issued by Broomco (2705) Ltd to NIB Capital Bank NV, secured by a fixed and floating charge over the assets of the Group.

Interest Rate

On 1 January 2004, the rate of additional interest charged on the Bank Loans increased from 7.33% to 11.0%. Additional interest is in addition to the regular interest, which is charged at 2.81% above LIBOR.

Loan Facilities

Under the terms of the Loan Facility Agreement with NIB Capital Bank NV, all outstanding amounts became payable on demand on 30 June 2004 unless certain extension conditions were met by this date. On 29 June 2004, an extension was agreed from 30 June 2004 to 31 July 2004.

Thereafter, Directors continued to engage in negotiations with the lender to secure a further extension. However, this was not agreed and therefore all outstanding amounts became payable on demand on 31 July 2004. Since then however, NIB Capital Bank NV has continued to roll forward the loans at the previously applicable interest rates.

Payments to the Bank Loan Debenture Holder made by the Administrator of Rayner

The administrator of Rayner & Company Limited has made payments to NIB Capital Bank NV totalling £2,512,000 which have reduced the indebtedness of Broomco (2705) Limited.

Payments to the Bank Loan Debenture Holder made by the Administrator of Martlet

The administrator of Martlet Natural Foods Limited has made payments to NIB Capital Bank NV totalling £800,000 which have reduced the indebtedness of Broomco (2705) Limited.

30 Post Balance Sheet Events – Loan Stock

Holders of Loan Notes A, B and D agreed on 17 October 2003 to defer receiving payment until 31 December 2006.

In addition, holders of Loan Stock A, B & D were parties to the indemnities given on 21 June 2004 by Broomco (2705) Ltd, in which they agreed to subordinate their claims to the indemnities and in which they also agreed to a standstill on receiving payment until any claims made under the indemnities have been met in full.

31 Post Balance Sheet Events – Fixed Charge Receiver over Shares of Cauldron

On 28 January 2005, NIB Capital Bank NV, holders of debentures issued by Broomco (2705) Ltd, appointed a fixed charge receiver over the shares in Cauldron Foods Limited owned by Rayner & Co (Investments) Ltd.

Directors believe that after the fixed charge receiver has sold Cauldron Foods Limited, there is likely to be a surplus of funds available to other creditors.
For the avoidance of doubt, Rayner & Co (Investments) Ltd. and Cauldron Foods Limited are NOT themselves subject to any type of formal insolvency.