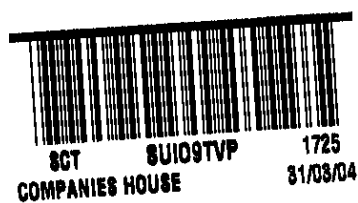


**Marshall Food Group Limited**

Directors' report and financial statements

Registered number SC034389

31 May 2003



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## Directors' report

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

### Principal activities

The principal activities of the company are the rearing and processing of poultry and the manufacture of convenience foods.

### Business review

Despite some difficult trading conditions as the company changed its structure with the closure of its Newbridge site, which was announced last year, the company showed an increase in turnover of 13%.

As a result there has been a substantial improvement in the operating profit for the company.

### Dividends and transfer to reserves

The profit and loss account on page 5 shows a profit after taxation for the financial year of £3,740,000 (2002: loss £5,466,000). 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:

AJ Duncan

PT Hopley

IM Imray

DJ Salkeld (appointed 1 June 2003)

M Smith (resigned 24 January 2003)

None of the directors who held office at the end of the financial year had any interests in the shares of the company. Mr Duncan, Mr Imray and Mr Hopley were directors of the company's ultimate holding company at the balance sheet date and their interests in the shares of that company are shown in its 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

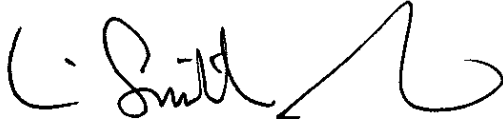
The company employs disabled persons who are able to fulfil the required duties and such disabled persons share the same opportunities for training and career progression as other employees.

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

**Auditors**

Pursuant to a shareholders' resolution, the company is not obliged to reappoint auditors annually and KPMG LLP will therefore continue in office.

By order of the board

A handwritten signature in black ink, appearing to read 'I. Smith', followed by a long, sweeping horizontal stroke.

**Iain Smith & Company**  
*Secretaries*

20 Queen's Road  
Aberdeen  
AB15 4ZT

27 November 2003

## 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.



37 Albyn Place  
Aberdeen  
AB10 1JB  
United Kingdom

## **Independent auditors' report to the members of Marshall Food Group Limited**

We have audited the financial statements on pages 5 to 19.

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 and 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 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 audit 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 affairs of the company as at 31 May 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

27 November 2003

**Profit and loss account**  
*for the year ended 31 May 2003*

	Note	2003 £000	Before exceptional costs £000	Exceptional items (note 3) £000	2002 £000
<b>Turnover</b>	2	<b>280,279</b>	248,629	-	248,629
Change in stocks of finished goods and goods for resale		(968)	114	-	114
Raw materials and consumables		(180,882)	(148,594)	-	(148,594)
Staff costs	6	(42,770)	(45,721)	(2,666)	(48,387)
Depreciation and other amounts written off tangible fixed assets		(3,701)	(4,869)	(172)	(5,041)
Other operating charges		(45,465)	(47,990)	(5,282)	(53,272)
		<b>(273,786)</b>	(247,060)	(8,120)	(255,180)
<b>Operating profit (loss)</b>		<b>6,493</b>	1,569	(8,120)	(6,551)
Interest receivable and similar income	7	-			138
Interest payable and similar charges	8	(2,188)			(2,792)
<b>Profit (loss) on ordinary activities before taxation</b>	4	<b>4,305</b>			(9,205)
Taxation on profit (loss) on ordinary activities	9	(565)			3,739
<b>Profit (loss) on ordinary activities after taxation for the financial year</b>		<b>3,740</b>			(5,466)

All figures relate to continuing operations.

The company had no recognised gains or losses other than the loss for the financial year.

A statement of movement in reserves is given in note 19.

**Balance sheet**  
*at 31 May 2003*

	Note	2003 £000	2002 £000
<b>Fixed assets</b>			
Tangible assets	10	36,360	34,876
Investments in subsidiary undertakings	11	45	45
		<u>36,405</u>	<u>34,921</u>
<b>Current assets</b>			
Stocks	12	11,928	13,524
Debtors	13	47,003	24,120
Cash at bank and in hand		7	8
		<u>58,938</u>	<u>37,652</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(86,356)</u>	<u>(67,820)</u>
<b>Net current liabilities</b>		<u>(27,418)</u>	<u>(30,168)</u>
<b>Total assets less current liabilities</b>		<u>8,987</u>	<u>4,753</u>
<b>Creditors: amounts falling due after more than one year</b>	15	(2,384)	(1,839)
<b>Provisions for liabilities and charges</b>	16	(372)	(300)
<b>Accruals and deferred income</b>	17	(556)	(679)
<b>Net assets</b>		<u>5,675</u>	<u>1,935</u>
<b>Capital and reserves</b>			
Called up share capital	18	32,005	32,005
Profit and loss account	19	(26,330)	(30,070)
<b>Shareholders' funds</b>			
Equity		(21,325)	(25,065)
Non-equity		27,000	27,000
	20	<u>5,675</u>	<u>1,935</u>

These financial statements were approved by the board of directors on 27 November 2003 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 section 228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements therefore contain information about this company as an individual undertaking only and not about its group.

The company is exempt from the requirements of Financial Reporting Standard 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of a parent undertaking which has produced a group cash flow statement in accordance with the provisions of the standard.

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.

#### *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 useful economic lives as follows:

Freehold buildings	-	2% to 4%
Plant and machinery	-	10% to 25%
Motor vehicles	-	25%
Fixtures & fittings	-	10%

No depreciation is provided on freehold land.

#### *Government grants*

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

#### *Leases*

Assets acquired under finance leases and hire purchase contracts are capitalised and the outstanding future 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.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Pension scheme contributions*

The company operates a pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the company. 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.

The company participates in defined contribution pension schemes operated by the ultimate holding company. The assets of the scheme are held separately from the group in independently administered funds. The amount charged to the profit and loss account represents contributions payable to the schemes in respect of the accounting periods.

#### *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.

#### *Taxation*

The charge for taxation is based on the result for the year and takes into account deferred tax. 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.

### 2 Turnover

Turnover represents the invoiced amount of goods sold and services provided stated net of value added tax. The turnover is attributable to the rearing and processing of poultry and the manufacture of convenience foods, and is mainly derived in the UK.

### 3 Exceptional costs

During the year to 31 May 2002 the company announced a redundancy programme in its prepared foods operations (£848,000). It also announced the closure of its chicken operations at Newbridge. Some of the production from the site has been transferred to other group operating units. The closure costs (£7,272,000) were treated as exceptional items.

### 4 Profit (loss) on ordinary activities before taxation

	2003	2002
	£000	£000
<i>Profit (loss) on ordinary activities before taxation is stated after charging:</i>		
Depreciation:		
Owned	3,209	4,316
Leased	805	1,015
Rentals payable under operating leases:		
Plant and machinery	446	303
Other	1,203	1,134
Auditors' remuneration:		
Audit	89	62
Other services	39	4
Loss on sale of fixed assets	60	9
	<hr/>	<hr/>
<i>after crediting:</i>		
Grants released to profit and loss account	373	299
	<hr/>	<hr/>

## Notes (continued)

### 5 Remuneration of directors

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. These emoluments were received from this company and its fellow subsidiaries.

### 6 Staff numbers and costs

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

	Number of employees	
	2003	2002
Management, administration, sales and distribution	269	293
Production	2,284	2,614
	<u>2,553</u>	<u>2,907</u>

The aggregate payroll costs of these persons were as follows:

	2003 £000	2002 £000
Wages and salaries		4
Social security costs		
Pension costs (note 23)		
		<u>4</u>

### 7 Interest receivable and similar income

	2003 £000	2002 £000
Bank interest receivable	-	138

### 8 Interest payable and similar charges

	2003 £	2002 £000
On bank loans and overdrafts	1,	2,490
On finance leases and hire purchase contracts		248
Interest payable to group undertakings		16
Other interest payable		38
	<u>2,</u>	<u>2,792</u>

## Notes (continued)

### 9 Taxation

#### Tax on profit (loss) on ordinary activities

	2003 £000	2002 £000
Analysis of charge (credit) in year		
<i>Current tax</i>		
UK corporation tax charge (credit) on profit (loss) for the year	71	(3,490)
Adjustments in respect of previous years	494	(249)
<b>Tax charge (credit) on profit (loss) on ordinary activities</b>	<b>565</b>	<b>(3,739)</b>

#### Factors affecting current tax charge (credit) for the year

The tax charge (credit) for the year is lower (2002: higher credit) than that obtained by applying the standard rate of corporation tax in the UK (30%) to the profit (loss) before tax. The differences are explained below:

	2003 £000	2002 £000
Profit (loss) on ordinary activities before taxation	4,305	(9,208)
Profit (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	1,291	(2,762)
<i>Effects of:</i>		
Capital allowances for period in excess of depreciation	(1,116)	-
Movement in unprovided deferred tax asset (note 16)	-	(659)
Expenses disallowable for tax purposes	56	29
Utilisation of tax losses	(20)	-
Other miscellaneous differences	(140)	(98)
Adjustments to tax charge in respect of previous periods	494	(249)
<b>Current tax charge (credit) for year (see above)</b>	<b>565</b>	<b>(3,739)</b>

## Notes (continued)

### 10 Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
<i>Cost</i>				
At beginning of year	32,257	58,335	1,915	92,507
Additions	1,712	5,459	17	7,188
Disposals	(160)	(3,084)	(549)	(3,793)
Intra group transfers	-	(1,417)	37	(1,380)
Transfer between categories	-	217	(217)	-
At end of year	33,809	59,510	1,203	94,522
<i>Depreciation</i>				
At beginning of year	14,678	41,370	1,583	57,631
Charge for year	556	3,390	68	4,014
On disposals	(80)	(2,474)	(431)	(2,985)
Intra group transfers	-	(528)	30	(498)
Transfer between categories	-	153	(153)	-
At end of year	15,154	41,911	1,097	58,162
<i>Net book value</i>				
At 31 May 2003	18,655	17,599	106	36,360
At 31 May 2002	17,579	16,965	332	34,876

The net book value of fixed assets of £36,360,000 (2002: £34,876,000) includes £6,394,000 (2002: £4,801,000) in respect of assets held under finance leases and similar hire purchase agreements. A depreciation charge of £805,000 (2002: £1,015,000) has been made against these assets in the period.

Included in freehold land and buildings is £1,662,000 (2002: £1,512,000) of land which is not depreciated.

## Notes (continued)

### 11 Fixed asset investments

	Shares in group undertakings £000
<b>Cost</b>	
At beginning and end of year	96
<b>Provision</b>	
At beginning and end of year	51
<b>Net book value</b>	
At 31 May 2003	45
At 31 May 2002	45

The subsidiary undertakings which are all wholly owned are:

	Country of incorporation	Principal activity	Percentage of ordinary shares held
<b>Subsidiary undertakings</b>			
Grain Brokers (Leith) Limited	Scotland	Non-trading	100%
Robert Miller (Denny) Limited	Scotland	Non-trading	100%
DB Marshall (Newbridge) Limited	Scotland	Non-trading	100%

### 12 Stocks

	2003 £000	2002 £000
Livestock	8,146	7,942
Raw materials and consumables	2,018	2,850
Finished goods and goods for resale	1,764	2,732
	11,928	13,524

### 13 Debtors

	2003 £000	2002 £000
<b>Amounts falling due within one year:</b>		
Trade debtors	4,284	5,672
Amounts owed by group undertakings	40,401	16,276
Other debtors	1,589	945
Prepayments and accrued income	729	1,226
<b>Amounts falling due outwith one year:</b>		
Pension prepayment	47,003	24,119
	-	1
	47,003	24,120

**Notes (continued)**

**14 Creditors: amounts falling due within one year**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Bank overdrafts	31,603	28,176
Obligations under finance leases and hire purchase contracts (note 15)	2,577	1,766
Trade creditors	7,415	9,410
Corporation tax	851	-
Amounts owed to group undertakings	37,596	14,804
Other tax and social security	930	960
Other creditors	1,282	8,244
Accruals and deferred income	4,102	4,460
	<b>86,356</b>	<b>67,820</b>

Bank borrowings are secured by floating charges and standard securities over the company's assets.

**15 Creditors: amounts falling due after more than one year**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Obligations under finance leases and hire purchase contracts	2,384	1,839

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

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Within one year	2,577	1,766
Between one and two years	1,587	1,367
Between two and five years	797	472
	<b>4,961</b>	<b>3,605</b>

**16 Provisions for liabilities and charges**

	<b>Pensions and similar obligations</b>
	<b>£000</b>
At beginning of year	300
Increase in provision	72
At end of year	<b>372</b>

**Notes** *(continued)*

**16 Provisions for liabilities and charges** *(continued)*

The amounts not recognised for deferred taxation are set out below:

	<b>Deferred taxation</b>	
	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Total potential liability relating to accelerated capital allowances	<b>1,958</b>	926
Corporation tax losses	<b>(4,158)</b>	(4,178)
Other timing differences	<b>(653)</b>	(118)
	<hr/>	<hr/>
<b>Undiscounted asset</b>	<b>(2,853)</b>	(3,370)
	<hr/>	<hr/>
<b>Deferred tax asset not recognised</b>	<b>(2,853)</b>	(3,370)
	<hr/>	<hr/>

**17 Accruals and deferred income**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
<i>Capital grants</i>		
At beginning of year	<b>679</b>	978
Received during the year	<b>250</b>	-
Released to profit and loss account	<b>(373)</b>	(299)
	<hr/>	<hr/>
<b>At end of year</b>	<b>556</b>	679
	<hr/>	<hr/>

**18 Called up share capital**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
<i>Authorised Equity</i>		
Ordinary shares of £1 each	<b>3,813</b>	3,813
'A' Ordinary shares of £1 each	<b>2,187</b>	2,187
<i>Non equity</i>		
Preferred redeemable shares of £1 each	<b>30,000</b>	30,000
	<hr/>	<hr/>
	<b>36,000</b>	36,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid Equity</i>		
Ordinary shares of £1 each	<b>2,818</b>	2,818
'A' ordinary shares of £1 each	<b>2,187</b>	2,187
<i>Non equity</i>		
Preferred redeemable shares of £1 each	<b>27,000</b>	27,000
	<hr/>	<hr/>
	<b>32,005</b>	32,005
	<hr/>	<hr/>



## Notes (continued)

### 18 Called up share capital (continued)

The preferred redeemable shares carry a fixed dividend of 6 pence per annum being payable half yearly on 30 June and 31 December in each year. The preferred redeemable shares are redeemable in 3 tranches of £2,000,000 commencing on 30 June 2001, with the balance falling due on 30 June 2004. The company may redeem all or (in instalments of not less than 25,000 shares) some of the preference shares in advance of the due date. The company was unable to redeem the first two tranches on 30 June 2001 and 30 June 2002.

The holders of these shares are not entitled to attend or vote at any general meeting.

The preferred redeemable shares rank before the Ordinary and 'A' Ordinary shares for dividends and on a winding up of the company. On a winding up of the company the preferred redeemable shareholders are entitled to £1 per share together with any arrears of dividend.

The holder of the preferred redeemable shares has waived the entitlement to dividends for the current and previous financial years.

### 19 Profit and loss account

	2003 £000	2002 £000
At beginning of year	(30,070)	(24,604)
Retained profit (loss) for the financial year	3,740	(5,466)
At end of year	(26,330)	(30,070)

### 20 Reconciliation of movements in shareholders funds

	2003 £000	2002 £000
Profit (loss) for the financial year	3,740	(5,466)
New share capital subscribed	-	7,000
Net addition to shareholders' funds	3,740	1,534
At beginning of year	1,935	401
At end of year	5,675	1,935

### 21 Contingent liabilities

The company has granted to and received from Grampian Country Food Group Limited and all its other trading subsidiaries unlimited cross guarantees which are covered by floating charges and standard securities amounting to £110,499,000 (2002: £110,914,000), secured in the first instance against the assets of the borrowing company.

## Notes (continued)

### 22 Commitments

- (a) Capital commitments at the end of the financial period for which no provision have been made are as follows:

	2003 £000	2002 £000
Contracted	2,533	1,033

- (b) Annual commitments for items under non-cancellable, operating leases are as follows:

	Land and buildings		Other	
	2003 £000	2002 £000	2003 £000	2002 £000
Operating leases which expire:				
Within one year	-	-	55	56
In the second to fifth years	845	754	986	531
Over five years	-	-	57	41
	<u>845</u>	<u>754</u>	<u>1,098</u>	<u>628</u>

### 23 Pension costs

The company's eligible employees and the directors are members of various pension schemes which are operated by the ultimate holding company, Grampian Country Food Group Limited.

The company operates a pension scheme providing benefits based on final pensionable pay, the Marshall Group Pension and Life Assurance Scheme. The assets of this are held separately from those of the company.

#### *Marshall Group Pension and Life Assurance Scheme*

An actuarial valuation was completed as at 1 October 2001. The projected unit method was applied as the principal assumptions made were that salaries would increase by 5.0% per annum, pensions in payment would increase as guaranteed in the scheme rules, and the return on scheme investments would be 7.5% per annum.

The actuarial valuation indicated that the level of funding as at the valuation date was 96%.

The company is making contributions to the scheme based on the valuation as at 1 October 2001. The deficit is being spread over the average remaining service lives of the employees. At 31 May 2003 the pension provision held in the balance sheet is £200,000 (2002: £300,000). There is a pension charge in the year of £800,000 (2002: £632,000) and this includes a credit of £200,000 (2002: £188,000) arising from these variations in pension cost.

The company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs' the disclosures in relation to which are given above. FRS 17 'Retirement benefits' will be introduced in accordance with the transitional requirements of that standard. The following sets out the initial disclosures under FRS 17.

## Notes (continued)

### 23 Pension costs (continued)

#### Main assumptions

The actuary to the scheme has provided an independent valuation on an FRS 17 basis as at 31 May 2003 and 2002. The major assumptions used in this valuation were:

	2003	2002
Rate of increase in salaries	2.5%	4.0%
Rate of increase in pensions in payment	2.5%	2.6%
Discount rate	5.5%	6.0%
Inflation assumption	2.5%	2.9%

These assumptions are considered to represent a best estimate of the main issues affecting the long term liability which may arise out of the scheme. Due to the long term nature of this valuation these assumptions may or may not be borne out in practice.

As the scheme is closed to new entrants, the current service cost will increase as the members of the scheme approach retirement.

The scheme's assets are invested, based on independent professional advice, in a range of asset classes. The assumptions as to the returns which these asset classes may produce in the future and the way in which these assets were invested at 31 May 2003 are set out below. The trustees have indicated that there is no intention to realise significant amounts of these investments in the foreseeable future. The value of the assets may be subject to significant change before they are realised.

	2003 Rate of return %	2003 Value of assets £000	2002 Rate of return %	2002 Value of assets £000
Government bonds	4.4	5,800	6.0	9,900
Corporate bonds	4.9	3,000	6.0	-
Equities	7.4	22,500	8.0	24,900
Other	3.8	-	5.3	300
<b>Total</b>		<b>31,300</b>		<b>35,100</b>

#### Projected Position

The market value at 31 May 2003 of the assets of the scheme and the projected present value of the cash flows required to meet the scheme liabilities are summarised below:

	2003 £000	2002 £000
Total market value of assets	31,300	35,100
Present value of scheme liabilities	(48,900)	(44,200)
Deficit in the scheme	(17,600)	(9,100)
Related deferred tax assets	5,300	2,700
<b>Net pension liability</b>	<b>(12,300)</b>	<b>(6,400)</b>

## Notes (continued)

### 23 Pensions (continued)

The net pension liability reflects the value of scheme assets at 31 May 2003 against the projected liabilities of the scheme. Although best assumptions have been used in arriving at this liability there is inherent uncertainty in the result. The directors and the scheme trustees have advisers to aid them in determining the most appropriate level of on-going funding required to meet the scheme liabilities. The position is continuously monitored and the advice of these professionals is being followed.

On the full implementation of FRS 17 the amount of this net pension liability would also be included in the company's profit and loss reserve. This does not need to be implemented until the company's May 2006 financial year.

The amount of this net pension liability would have a consequential effect on reserves.

#### Movement in deficit during the year

	£000
Deficit in scheme at beginning of year	(9,100)
Current service cost	(1,200)
Contributions paid	800
Other finance costs	(100)
Actuarial loss	(8,000)
	<hr/>
Deficit in the scheme at end of year	(17,600)
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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 profit

	£000
Current service cost	1,200
	<hr/>

#### Analysis of amounts included in other finance costs

	2003 £000
Expected return on pension scheme assets	2,600
Interest on pension scheme liabilities	(2,700)
	<hr/>
	(100)
	<hr/>

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

	%	£000
Actual return less expected return on scheme assets		(6,000)
Percentage of year end scheme assets	(19%)	
Experience gains and losses arising on scheme liabilities		200
Percentage of present value of year end scheme liabilities	0%	
Changes in assumptions underlying the present value of scheme liabilities		(2,200)
		<hr/>
Actuarial loss recognised in statement of total recognised gains and losses (representing (16%) of the present value of year end scheme liabilities)		(8,000)
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**Notes** *(continued)*

**24 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 this company. The consolidated accounts of this company are available to the public and may be obtained from the Registrar of Companies, 37 Castle Terrace, Edinburgh.