

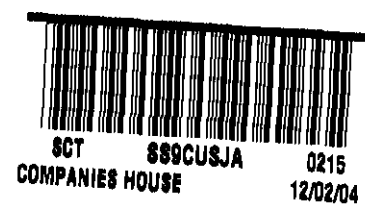
Company Registration No. 3580592

BAIRDS MALT LIMITED

Report and Financial Statements

31 December 2002

**Deloitte & Touche LLP
Edinburgh**



REPORT AND FINANCIAL STATEMENTS 2002

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BAIRDS MALT LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S A Haydon
J Wilson
N Dennis
M D Walter

SECRETARY

D P Gilpin

REGISTERED OFFICE

Station Maltings
Witham
Essex
CH8 2DU

BANKERS

Bank of Scotland
72 West High Street
Forfar
DD8 1BJ

SOLICITORS

Richard Butler
Beaufort House
15 St Botolph Street
London
EC3A 7EE

AUDITORS

Deloitte & Touche LLP
Edinburgh

BAIRDS MALT LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

ACTIVITIES

The group's principal activity is the manufacture of high quality malt and speciality roast malts for brewers and malts for the distilling industry. In addition the group has a grain merchandising operation.

RESULTS, DEVELOPMENTS AND FUTURE PROSPECTS

The group made a profit for the year after taxation of £451,000 (2001 : loss of £2,048,000). There was no dividend in the year (2001 : £nil), accordingly the profit of £451,000 (2001 : £2,048,000) has been transferred to reserves.

There was an operating profit of £1,628,000 compared to a loss in 2001 of £614,000. Included in 2001 was a restructuring cost of £534,000. The strength of the pound has continued to keep the UK maltsters at a disadvantage during 2002. The merchandising division result was down on 2001 as a result of the poor harvest conditions, particularly in Scotland.

2003 will see an improvement in margins with the strengthening of the Euro and a change in the sales profile of the business. The company will focus on key customers and where possible reduce the exposure to volatile opportunistic markets. Malting facilities will be operated to maximise on local logistics and customer requirements.

DIRECTORS AND THEIR INTERESTS

The present membership of the board is set out on page 1.

The directors had no interests in the share capital of the company or of any other group companies.

The following changes have occurred since the signing of the previous years accounts.

L Carter resigned on the 31 December 2002

R Alexander was appointed on the 7 March 2003 and resigned on the 30 April 2003

S Rosvold resigned on the 31 May 2003

G Mize resigned on the 31 May 2003

N Dennis was appointed on the 1 October 2003

M Walter was appointed on the 1 October 2003

EMPLOYEE INVOLVEMENT

Within the bounds of commercial confidentiality, staff at all levels are kept informed of matters that affect the progress of the group and that are of interest to them as employees.

DISABLED EMPLOYEES

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

EUROPEAN MONETARY UNION

The company and group have implemented financial systems which are fully capable of being operated in Euros. The company and group treat Euro transactions as they would any other foreign currency.

BAIRDS MALT LIMITED

DIRECTORS' REPORT

AUDITORS

On 1 August 2003, Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989.

Approved by the Board of Directors
and signed by order of the Board



Secretary
12/12/2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 group and company as at the end of the financial year and of the profit or loss of the group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company or group 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 are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

BAIRDS MALT LIMITED

We have audited the financial statements of Bairds Malt Limited for the year ended 31 December 2002 which comprise the consolidated profit and loss account, the balance sheets of the group and company, the consolidated cashflow statement and the related notes 1 to 27, together with the reconciliation of net cashflow to movement in net funds/(debt). These financial statements have been prepared under the accounting policies set out therein.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report 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 and group is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all 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 affairs of the company and the group as at 31 December 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Edinburgh
12/1/2004

BAIRDS MALT LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2002

	Note	2002 £'000	Restated (see note 1) 2001 £'000
TURNOVER: continuing operations	2/3	41,738	41,454
Cost of sales		(30,932)	(31,890)
Gross profit		10,806	9,564
Distribution expenses		(3,061)	(3,407)
Administrative expenses excluding restructuring costs		(6,117)	(6,237)
Restructuring costs		-	(534)
Total administrative expenses		(6,117)	(6,771)
OPERATING PROFIT/(LOSS): continuing operations	5	1,628	(614)
Interest receivable and similar income	6	152	151
Interest payable and similar charges	7	(1,536)	(1,907)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		244	(2,370)
Tax credit on profit/(loss) on ordinary activities	8	207	322
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		451	(2,048)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2002

	2002 £'000	2001 £'000
Profit/(loss) for the financial year	451	(2,048)
Prior period adjustment (note 17)	(3,826)	-
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT	(3,375)	(2,048)

BAIRDS MALT LIMITED

CONSOLIDATED BALANCE SHEET 31 December 2002

	Note	2002 £'000	Restated (see note 1) 2001 £'000
FIXED ASSETS			
Intangible assets	10	3,881	4,164
Tangible assets	9	50,942	52,876
		<u>54,823</u>	<u>57,040</u>
CURRENT ASSETS			
Stocks	12	18,226	17,825
Debtors	13	14,696	14,781
Cash at bank and in hand		2,487	851
		<u>35,409</u>	<u>33,457</u>
CREDITORS: amounts falling due within one year	14	<u>(34,583)</u>	<u>(34,730)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>826</u>	<u>(1,273)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>55,649</u>	<u>55,767</u>
PROVISIONS FOR LIABILITIES AND CHARGES	17	<u>(3,335)</u>	<u>(3,904)</u>
NET ASSETS		<u>52,314</u>	<u>51,863</u>
CAPITAL AND RESERVES			
Called up share capital	18	-	-
Share premium account	19	60,610	60,610
Profit and loss account	19	(8,296)	(8,747)
EQUITY SHAREHOLDERS' FUNDS		<u>52,314</u>	<u>51,863</u>

These financial statements were approved by the Board of Directors on 12/3/2004.

Signed on behalf of the Board of Directors


Director

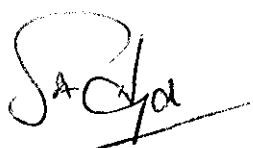
BAIRDS MALT LIMITED

COMPANY BALANCE SHEET 31 December 2002

	Note	2002 £'000	Restated (see note 1) 2001 £'000
FIXED ASSETS			
Intangible assets	10	-	43
Tangible assets	9	47,041	48,975
Investments	11	24,244	24,244
		<u>71,285</u>	<u>73,262</u>
CURRENT ASSETS			
Stock	12	18,226	17,825
Debtors	13	14,696	14,781
Cash at bank and in hand		2,487	851
		<u>35,409</u>	<u>33,457</u>
CREDITORS: amounts falling due within one year	14	<u>(34,583)</u>	<u>(34,730)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>826</u>	<u>(1,273)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		72,111	71,989
CREDITORS: Amounts falling due after more than one year	15	(15,942)	(15,942)
PROVISIONS FOR LIABILITIES AND CHARGES	17	<u>(2,975)</u>	<u>(3,504)</u>
NET ASSETS		<u><u>53,194</u></u>	<u><u>52,543</u></u>
CAPITAL AND RESERVES			
Called up share capital	18	-	-
Share premium account	19	60,610	60,610
Profit and loss account	19	(7,416)	(8,067)
EQUITY SHAREHOLDERS' FUNDS		<u><u>53,194</u></u>	<u><u>52,543</u></u>

These financial statements were approved by the Board of Directors on 12/2/2004.

Signed on behalf of the Board of Directors


Director

BAIRDS MALT LIMITED

CONSOLIDATED CASH FLOW STATEMENT Year ended 31 December 2002

	Note	2002 £'000	2001 £'000
Net cash inflow from operating activities	24	8,458	6,170
Returns on investments and servicing of finance	25	(1,384)	(1,756)
Taxation		288	-
Capital expenditure and financial investment	25	(1,268)	(1,405)
Net cash inflow before financing		6,094	3,009
Financing	25	(4,458)	(3,714)
Increase/(decrease) in cash in the year		<u>1,636</u>	<u>(705)</u>
Reconciliation of net cashflow to movement in net funds/(debt) (note 26)			
Increase/(decrease) in cash in year		1,636	(705)
Cash outflow from repayment of debt	25	4,458	3,714
Changes in net debt resulting from cashflows		6,094	3,009
Net debt at start of year		(3,607)	(6,616)
Net funds/(debt) at end of year	26	<u>2,487</u>	<u>(3,607)</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

1. ACCOUNTING POLICIES

Basis of accounting

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

Consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries; such financial statements are made up to 31 December 2002. As permitted by Section 230 Companies Act 1985, the parent company has not published a separate profit and loss account. The profit of the parent company for the year to 31 December 2002 amounted to £651,000 (31 December 2001 loss: £2,130,000).

Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

Depreciation

Depreciation is not provided on land.

Depreciation is calculated to write off the cost of fixed assets less their estimated residual values over their estimated useful lives on a straight line basis as follows:

Freehold buildings	40 years
Plant and equipment	Up to 30 years

Research and development

All expenditure on research and development is charged to profit as incurred.

Leased assets

Assets purchased under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance costs are charged over the period of the lease in proportion to the capital element outstanding.

Operating leases rentals are charged to the profit and loss account in equal annual amounts over the lease term.

Stocks

Stocks, which include work-in-progress, are valued at the lower of actual cost or net realisable value. Cost comprises the purchase price of direct materials, direct production costs and an appropriate proportion of overheads. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

1. ACCOUNTING POLICIES (CONTINUED)

Deferred taxation

The group has adopted FRS 19 Deferred Tax in the current year. Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pensions

The majority of employees are members of the group's defined benefit pension scheme which is administered by independent trustees. Scheme assets are entirely separate from those of the group. The expected cost of the pension benefit is charged to the profit and loss account, on the advice of actuaries, so as to accrue the cost over the service lives of the employees on the basis of a constant percentage of earnings.

Goodwill

Goodwill arising on consolidation represents the difference between the fair value of the costs of the acquisition of subsidiaries and the aggregate fair value of their separable net assets. Goodwill is amortised by equal annual instalments over up to 20 years. Any further impairment is provided for in the period in which that condition arises. The profit and loss on the disposal of a previously acquired business includes the unamortised value of any purchased goodwill relating to that business.

Restatement

Turnover and cost of sales have been restated in the prior year to reflect transactions deemed to be made as agent not principal, this change in accounting policy has resulted in a reduction in turnover and costs of sales of £4,888,000 (2001 : £4,419,000). In addition, transactions recorded in the prior year accounts on an agency basis have been deemed to have been made as principal resulting in an increase in turnover and cost of sales of £3,366,000 (2001 : £3,705,000). The net effect of the prior year adjustments is a reduction in cost of sales and turnover of £1,522,000 (2001 : £714,000), with nil effect on profit (2001 : nil).

The change in accounting policy has resulted in a reclassification between stock and prepayments & other debtors of £4,413,000 (2001 : £4,443,000), to reflect the suppliers' ownership of stock.

In addition, the adoption of FRS19 has resulted in a restatement of the prior year figures. The categories and amounts restated are disclosed in note 17.

2. TURNOVER

Turnover represents the net value of goods invoiced to customers exclusive of value added tax and inclusive of export restitution where applicable.

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

3. SEGMENTAL INFORMATION

The turnover and pre-tax profit/(loss) are wholly attributable to the group's principal activity. The geographical analysis of the group's turnover is as follows:

	2002	Restated 2001
	£'000	£'000
UK & Republic of Ireland	29,643	30,185
Americas	3,172	1,681
Europe & Middle East	5,152	4,851
Asia Pacific	2,914	4,333
Other	857	404
	<u>41,738</u>	<u>41,454</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2002	2001
	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	5,688	5,324
Social security costs	448	405
Pension costs	981	630
	<u>7,117</u>	<u>6,359</u>

Directors' remuneration

Emoluments	160	111
Pension contributions	26	16
	<u>186</u>	<u>127</u>

Average number of persons employed

	No	No
Operational	123	136
Office and administration	50	33
Merchanting	57	65
	<u>230</u>	<u>234</u>

BAIRDS MALT LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

5. OPERATING PROFIT/(LOSS)

	2002 £'000	2001 £'000
Operating profit/(loss) is stated after charging/(crediting):		
Depreciation:		
Owned assets	3,178	3,127
Leased assets	-	7
Amortisation of goodwill	283	280
Auditors' remuneration		
Audit fees	45	42
Other services	35	22
Loss/(profit) on sale of tangible fixed assets	24	(11)

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £'000	2001 £'000
Bank interest	152	151

7. INTEREST PAYABLE

	2002 £'000	2001 £'000
Bank and loan interest	1,536	1,907

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

8. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2002	Restated
	£'000	2001
		£'000
<i>Current taxation</i>		
UK corporation tax charge for the year	322	-
	<hr/>	<hr/>
Current taxation	322	-
<i>Deferred tax</i>		
Timing differences, origination and reversal	(97)	(322)
Adjustments in respect of prior years	(432)	-
	<hr/>	<hr/>
Tax on profit/(loss) on ordinary activities	<u>(207)</u>	<u>(322)</u>

Adoption of FRS19 has required a change in the method of accounting for deferred tax. As a result, the comparative figure for the tax charge on the loss on ordinary activities for 2001 has been restated from the previously reported £nil to a credit of £322,000.

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current and the previous years differs from the standard rate for the reasons set out in the following reconciliation:

	2002	Restated
	£'000	2001
		£'000
Profit/(loss) on ordinary activities before tax	244	(2,370)
	<hr/>	<hr/>
Tax on profit/(loss) on ordinary activities at standard rate	73	(711)
<i>Factors affecting charge for the period:</i>		
Expenses not deductible	200	120
Capital allowances in excess of depreciation	315	501
Utilisation of tax losses	(49)	-
Movement in short term timing differences	(2)	90
Other deferred tax movements	(215)	-
	<hr/>	<hr/>
Total actual amount of current tax	<u>322</u>	<u>-</u>

BAIRDS MALT LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2002

9. TANGIBLE FIXED ASSETS

Group	Freehold Land & Buildings £'000	Plant and Equipment £'000	Total £'000
Cost			
At 1 January 2002	40,751	32,065	72,816
Additions	-	1,279	1,279
Disposals	-	(352)	(352)
At 31 December 2002	40,751	32,992	73,743
Accumulated depreciation			
At 1 January 2002	8,037	11,903	19,940
Charge for the year	1,248	1,930	3,178
Disposals	-	(317)	(317)
At 31 December 2002	9,285	13,516	22,801
Net book value			
At 31 December 2002	31,466	19,476	50,942
At 1 January 2002	32,714	20,162	52,876
Company			
Cost			
At 1 January 2002	36,850	32,065	68,915
Additions	-	1,272	1,272
Disposals	-	(352)	(352)
At 31 December 2002	36,850	32,985	69,835
Accumulated depreciation			
At 1 January 2002	8,037	11,903	19,940
Charge for the year	1,248	1,924	3,172
Disposals	-	(318)	(318)
At 31 December 2002	9,285	13,509	22,794
Net book value			
At 31 December 2002	27,565	19,476	47,041
At 1 January 2002	28,813	20,162	48,975

BAIRDS MALT LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2002

10. INTANGIBLE FIXED ASSETS

Group	Goodwill £'000
Cost	
At 1 January 2002 and 31 December 2002	<u>4,884</u>
Accumulated amortisation	
At 1 January 2002	720
Charge for the year	<u>283</u>
At 31 December 2002	<u>1,003</u>
Net book value	
At 31 December 2002	<u>3,881</u>
At 1 January 2002	<u>4,164</u>
The goodwill arose on the acquisition of Moray Firth Maltings Limited. The cost is being amortised over 20 years.	

Company	Goodwill £'000
Cost	
At 1 January 2002 and 31 December 2002	<u>83</u>
Accumulated amortisation	
At 1 January 2002	40
Charge for the year	<u>43</u>
At 31 December 2002	<u>83</u>
Net book value	
At 31 December 2002	<u>-</u>
At 1 January 2002	<u>43</u>
The goodwill arose on the acquisition of the trade of an agricultural chemical operation. The cost is being amortised over 2 years.	

BAIRDS MALT LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2002

11. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Company	Company	
	2002 £'000	2001 £'000
Cost	24,244	24,244

The company's direct subsidiary undertakings are as follows:

Name of Company	Principal activity	Country of Registration And of Operation	Voting Rights	Holding	Type of share held
Saxon Agriculture Limited *	Trading under agency	England & Wales	100%	100%	Ordinary
Mark Lawrence (Grain) Limited	Trading under agency	England & Wales	100%	100%	Ordinary
Scotgrain Agriculture Limited *	Trading under agency	England & Wales	100%	100%	Ordinary
Moray Firth Maltings Limited	Non-Trading	England & Wales	100%	100%	Ordinary
Moray Barley Company Limited *	Non-Trading	England & Wales	100%	100%	Ordinary
Hugh Baird & Sons Limited	Non-Trading	England & Wales	100%	100%	Ordinary
Barrett Burston Limited	Non-Trading	England & Wales	100%	100%	Ordinary
Norgrain Agriculture Limited *	Non-Trading	England & Wales	100%	100%	Ordinary
Scotgrain Limited	Non-Trading	England & Wales	100%	100%	Ordinary
The Beeston Malting Company Limited	Non-Trading	England & Wales	100%	100%	Ordinary
Moray Firth Malt Limited *	Non-Trading	England & Wales	100%	100%	Ordinary
Angus Barley Company Limited	Non-Trading	England & Wales	100%	100%	Ordinary
Agrochemical Arbroath Limited *	Non-Trading	England & Wales	100%	100%	Ordinary
Lothian Barley Limited *	Non-Trading	England & Wales	100%	100%	Ordinary

*These investments are owned by a subsidiary of the company.

Certain of the subsidiaries as detailed above are trading as agent under an Agency Agreement with Bairds Malt Limited.

In the opinion of the directors the company's investments in subsidiary undertakings have a recoverable value which is in excess of their carrying value in the financial statements. Consequently no provision for impairment has been recorded.

BAIRDS MALT LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2002

12. STOCKS

	Group and Company Restated (see note 1)	
	2002	2001
	£'000	£'000
Barley	10,104	9,361
Consumables	1,104	665
Work in progress	461	465
Finished goods	6,557	7,334
	<u>18,226</u>	<u>17,825</u>

13. DEBTORS

	Group and Company Restated (see note 1)	
	2002	2001
	£'000	£'000
Trade debtors	7,998	10,911
Amounts owed by related companies (Note 23)	567	641
Prepayments and accrued income	6,131	3,229
	<u>14,696</u>	<u>14,781</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group and Company	
	2002	2001
	£'000	£'000
Term loan (Note 16)	-	1,458
Revolving loan (Note 16)	-	3,000
Trade creditors	33,236	28,007
Group relief	988	378
Accruals	-	697
Other creditors	143	196
Amounts due to related companies (Note 23)	216	994
	<u>34,583</u>	<u>34,730</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

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

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Amounts due to group undertakings	-	-	15,942	15,942
	<u>-</u>	<u>-</u>	<u>15,942</u>	<u>15,942</u>
	<u>-</u>	<u>-</u>	<u>15,942</u>	<u>15,942</u>

16. ANALYSIS OF BORROWINGS

	Group and Company	
	2002	2001
	£'000	£'000
Loan due for repayment		
- less than one year	-	4,458
- between one and two years	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>4,458</u>

The term loan was repayable by instalments with a final maturity date of 31 December 2002. The revolving loan facility also had a maturity date of 31 December 2002. The interest rate on both facilities was 1.25% over LIBOR. Security on both facilities was by way of a registered first fixed and floating charge over the group assets, including property, receivables and inventory. These facilities were paid in full during the year and replaced on 14 February 2003 by a new £4,000,000 term loan facility and an £8,000,000 revolving loan facility, both repayable over three years.

17. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

	Group and Company	
	2002	Restated 2001
	£'000	£'000
Provision for deferred taxation consists of the following amounts:		
Capital allowances in excess of depreciation	2,866	5,006
Short term timing differences	(106)	(19)
Losses	215	(1,483)
	<u>2,975</u>	<u>3,504</u>

The movements during the year on the deferred tax provision were:

Balance at 1 January	3,504	3,826
Current year credit (note 8)	(529)	(322)
	<u>2,975</u>	<u>3,504</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

17. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

The adoption of FRS 19, Deferred Taxation, has required changes in the method of accounting for deferred tax assets and liabilities. As a result of these changes in accounting policy the comparatives have been restated as follows:-

Group

	Deferred Taxation £'000	Profit and Loss Reserves £'000	Shareholders' Funds £'000
2001 as previously reported	-	(5,243)	55,367
Adoption of FRS19 at 1 January 2001	3,826	(3,826)	(3,826)
Deferred tax movement during the year ended 31 December 2001 not previously recognised	(322)	322	322
	3,504	(3,504)	(3,504)
2001 restated	3,504	(8,747)	51,863

Company

	Deferred Taxation £'000	Profit and Loss Reserves £'000	Shareholders' Funds £'000
2001 as previously reported	-	(4,563)	56,047
Adoption of FRS19 at 1 January 2001	3,826	(3,826)	(3,826)
Deferred tax movement during the year ended 31 December 2001 not previously recognised	(322)	322	322
	3,504	(3,504)	(3,504)
2001 restated	3,504	(8,067)	52,543

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

17. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

	Group Total £'000
Other provisions	
At 1 January 2002	400
Profit & loss account credit	(40)
	<hr/>
At 31 December 2002	360
	<hr/>
	Company Total £'000
Other provisions	
At 1 January 2002 and 31 December 2002	-
	<hr/>

Following the acquisition of Moray Firth Maltings Limited and the transfer of its employees to Bairds Malt Limited in the prior year, the company's actuary completed a preliminary review of the Moray Firth Maltings Pension and Life Assurance Scheme. A provision of £400,000 was made as a fair value adjustment in the group accounts in the prior year to provide for the expected deficit on the scheme on the transfer of assets and liabilities to the Bairds Malt Limited pension scheme. A revised valuation was carried out as at 31 March 2001. The results are disclosed in note 21. The £400,000 provision is being credited to the profit and loss account over the estimated remaining service lives of the employees commencing from 1 January 2002.

18. SHARE CAPITAL

	2002 £	2001 £
Authorised		
Ordinary shares of £1 each	100	100
Deferred shares of £1 each	100	100
	<hr/>	<hr/>
	200	200
	<hr/>	<hr/>
Allotted, called up fully paid		
Ordinary shares of £1 each	100	100
Deferred shares of £1 each	60	60
	<hr/>	<hr/>
	160	160
	<hr/>	<hr/>

The holders of the deferred shares have no right to attend, speak or vote at general meetings of the company. The holders are entitled to a non-cumulative deferred share dividend, calculated by applying LIBOR to the nominal value of the shares in issue during the period, which is paid annually.

In the event of a winding-up or other return of capital, the holders of the deferred shares are entitled to repayment of the nominal amounts paid up, only after the repayment of the paid up ordinary share capital and the payment of an additional £10,000,000 per ordinary share in issue.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

19. STATEMENT OF RESERVES

Group	Share premium account £'000	Profit and loss account (Restated see note 17) £'000	Total £'000
Balance at 1 January 2002	60,610	(8,747)	51,863
Profit for the financial year	-	451	451
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2002	60,610	(8,296)	52,314
	<hr/>	<hr/>	<hr/>
Company	Share Premium Account £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2002	60,610	(8,067)	52,543
Profit for the financial year	-	651	651
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2002	60,610	(7,416)	53,194
	<hr/>	<hr/>	<hr/>

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group	2002 £'000	Restated (see note 17) 2001 £'000
Profit/(loss) for the financial year	451	(2,048)
	<hr/>	<hr/>
Net increase/(reduction) to shareholder's funds	451	(2,048)
	<hr/>	<hr/>
Opening shareholder's funds (restated)	51,863	53,911
	<hr/>	<hr/>
Closing shareholder's funds	52,314	51,863
	<hr/>	<hr/>

The opening shareholders' funds at 1 January 2002 as previously reported amounted to £55,367 before the prior year adjustment of £3,504 (note 17).

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

21. PENSION COMMITMENTS

Details of accounting treatment

The pension cost figures used in these accounts comply with the current accounting standard SSAP 24 *Accounting for pension costs*. The group operates and contributes to the Bairds Malt Pension Scheme ("the Scheme"), a funded defined benefit pension scheme for certain employees.

SSAP 24 *Accounting for pension costs*

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. The pension cost for the group for the year ended 31 December 2002 was £1,021,000 (2001 : £690,000) and the company has made contributions at this level during this period, as it did in previous years. In addition, the provision of £400,000 in relation to the acquisition of Moray Firth Maltings Limited has given rise to a credit to the profit and loss account of £40,000 during the year.

The Scheme is subject to triennial valuation by independent actuaries, the last valuation being carried out as at 1 April 2001, using the projected unit method, in which the actuarial liability makes allowances for projected earnings. The following were the principal actuarial assumptions applied :-

Investment returns	7.5% per annum
Salary growth	5.0% per annum
Pension increases	3.0% per annum

At the last actuarial valuation date, the market value of the assets of the scheme was £19,367,187. In the opinion of the actuary, the actuarial value of these assets was sufficient to cover 86% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The employer's contribution rate over the average remaining service lives of the members of the Scheme takes account of the deficit disclosed by the valuation. Company contributions to the Scheme have increased to 24.5% of pensionable earnings from 1 January 2002.

FRS 17 *Retirement benefits*

The accounting standard, FRS 17 *Retirement benefits*, has been issued and applies to accounting periods ending on or after 22 June 2005, with transitional requirements applying this year. Under the transitional arrangements of FRS 17, the Company is required to disclose the following information about the scheme and the figures that would have been shown in the balance sheet if FRS 17 applied in full at the year end.

The full actuarial valuation at 1 April 2001 was updated to 31 December 2002 by a qualified actuary, using the following assumptions in relation to future experience:

	2002	2001
Discount rate	5.75%	6.0%
Rate of increase in salaries	3.00%	3.0%
Rate of increase in deferred pensions	2.25%	2.5%
Rate of increase in limited inflation-linked pensions in payment	2.25%	2.5%
Inflation assumption	2.25%	2.5%

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

21. PENSION COMMITMENTS (CONTINUED)

The assets in the scheme and the expected rates of return at 31 December were:

	2002	2002	2001	2001
	Long term rate	Value	Long term rate	Value
	of return	£'000	of return	£'000
	expected		expected	
Equities	8.3%	11,548	7.5%	13,710
Bonds	4.5%	2,382	6.0%	2,793
Property	7.3%	1,222	7.5%	1,201
Other	4.0%	518	4.0%	647
		<hr/>		<hr/>
Total market value of assets		15,670		18,351
Present value of scheme liabilities		(24,970)		(21,584)
		<hr/>		<hr/>
Deficit in scheme		(9,300)		(3,233)
		<hr/>		<hr/>
Related deferred tax asset		2,790		967
		<hr/>		<hr/>
Net pension liability		(6,510)		(2,266)
		<hr/>		<hr/>

Amounts that would have been included within the financial statements for the year ended 31 December 2002 had FRS 17 been applied are as follows:

	2002
	£'000
Amounts that would have been included within operating profit:	
Current service cost	768
	<hr/>
Amounts that would have been included as other finance costs:	
Expected return on scheme assets	(1,307)
Interest cost on scheme liabilities	1,314
	<hr/>
Net finance charge	7
	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

21. PENSION COMMITMENTS (CONTINUED)

Amounts that would have been included within the Statement of Total Recognised Gains and Losses ("STRGL") in the year to 31 December 2002 had FRS 17 been applied are shown below:

	2002 £'000	2002 %
Difference between actual and expected return on scheme assets		
- <i>monetary amount and percentage of closing scheme assets</i>	(4,117)	(26.3%)
Experience gains arising on scheme liabilities		
- <i>monetary amount and percentage of closing scheme liabilities</i>	(1,035)	(4.1%)
Effect of changes in assumptions underlying the present value of scheme liabilities		
- <i>monetary amount and percentage of closing scheme liabilities</i>	(1,161)	(4.6%)
Total actuarial gains and losses recognised in the STRGL		
- <i>monetary amount and percentage of closing scheme liabilities</i>	(6,313)	(25.3%)

Analysis of the movement in the scheme deficit during the year	2002 £'000
Opening deficit in the scheme	(3,233)
Current service cost	(768)
Contributions	1,021
Other finance income	(7)
Actuarial gains	(6,313)
Closing deficit in the scheme before deferred tax	(9,300)

If the above pension liability were recognised in the financial statements at 31 December, the group's profit and loss reserve would be as follows:

	2002 £'000	2001 £'000
Profit and loss reserve	(8,296)	(8,747)
Reversal of existing provision, adjusted for deferred tax	360	400
Pension liability net of deferred tax	(6,510)	(2,266)
Profit and loss reserve including pension liability	(14,446)	(10,613)

Other matters

Certain group employees have personal pension schemes to which the group makes contributions. There are no outstanding unpaid contributions at the year end (2001 : £nil).

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

22. OTHER COMMITMENTS

At 31 December 2002 the group has a commitment totalling £7,477,788 (2001:£992,946) with regard to forward foreign currency contracts. Contracts are entered into to reduce the foreign currency risk on future contracted foreign sales.

23. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption permitted by FRS 8 "Related Party Disclosures", with regard to the disclosure of related party transactions between group companies which eliminate on consolidation.

At 31 December 2002 the following balances were owing (to)/from associated undertakings of Conagra Inc, Tiger Brands Limited and Scottish & Newcastle plc under normal trading circumstances:

		2002	2001
		£'000	£'000
Group balances	Parent company		
Canada Malting Co Limited	Conagra Inc	2	(549)
Great Western Malting Co	Conagra Inc	(94)	(445)
Barrett Burston	Conagra Inc	(122)	-
Malteo 3 Limited	Conagra Inc	19	-
Scottish Courage Limited	Scottish & Newcastle plc	546	641

Malt sales transacted at an arm's length basis during the year were:

	2002	Restated
	£'000	2001
		£'000
Canada Malting Co Limited	593	622
Great Western Malting Co	249	311
Scottish Courage Limited	6,918	6,912

24. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002	2001
	£'000	£'000
Operating profit/(loss)	1,628	(614)
Depreciation	3,178	3,134
Goodwill amortisation	283	280
Release of pension provision	(40)	-
Loss/(profit) on sale of fixed assets	24	(11)
(Increase)/decrease in stocks	(401)	4,009
Decrease in debtors	85	62
Increase/(decrease) in creditors	3,701	(690)
Net cash inflow from operating activities	8,458	6,170

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

25. ANALYSIS OF CASH FLOWS

	2002 £'000	2001 £'000
Returns on investments and servicing of finance		
Interest received	152	151
Interest paid	(1,536)	(1,907)
	<u>(1,384)</u>	<u>(1,756)</u>
Capital expenditure and financial investments		
Payments to acquire fixed assets	(1,279)	(1,417)
Receipts from sale of fixed assets	11	12
	<u>(1,268)</u>	<u>(1,405)</u>
Financing		
Repayment of borrowings	(4,458)	(3,714)
	<u>(4,458)</u>	<u>(3,714)</u>

26. ANALYSIS OF NET DEBT

	At 1 January 2002 £'000	Cash flows £'000	At 31 December 2002 £'000
Cash in hand and at bank	851	1,636	2,487
Debt due within one year	(4,458)	4,458	-
Total	<u>(3,607)</u>	<u>6,094</u>	<u>2,487</u>

27. IMMEDIATE AND ULTIMATE PARENT UNDERTAKINGS

40% of the share capital of the company is owned by Scottish & Newcastle plc. The remaining 60% of the share capital is held by Maltco 3 Limited which in the directors' opinion is the immediate parent undertaking. The entire share capital of Maltco 3 Limited is owned by Ulgrave Limited, which in the directors' opinion is the ultimate parent undertaking.

Copies of the financial statements of Maltco 3 Limited and Ulgrave Limited can be obtained from the Registrar of Companies, Crown Way, Maindy, Cardiff.

Ulgrave Limited is jointly owned by ConAgra Foods, a company registered in Omaha, Nebraska, and Tiger Brands Limited, a company registered in South Africa. Copies of the financial statements of ConAgra Foods and Tiger Brands Limited are available from ConAgra Foods, One ConAgra Drive, Omaha, Nebraska, USA and Tiger Brands Limited, PO Box 78056, Sandton, 2146, South Africa.