

A M Group Limited

Directors' report and financial statements

31 December 2003

Registered number 732250



A M Group Limited

Company information

Directors

DR Amos

IR Barnes

BG Gooch

EM Macpherson

MJ Mayes

RA Pearce Gould

JCR Scott

Secretary

IR Barnes

Bankers

Barclays Bank Plc

Lloyds TSB Plc

Auditors

Grant Thornton

Registered office

Great Ryburgh

Fakenham

Norfolk

NR21 7AS

A M Group Limited

Directors' report

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

Activities

The principal activity of the Company is the production of malt and malt products and related activities.

Crisp Malting Group Limited, Edme Limited and Walpole and Wright Limited act as agents for A M Group Limited.

Financial and trading

The Company's operating profit before interest was £3,438,348 (2002: £3,613,643). After interest payable the company made a profit of £2,520,348 (2002: £2,725,643).

A dividend on ordinary shares of £1,000,000 has been paid (2002: £Nil) and £596,359 was transferred to reserves (2002: £1,682,714 to reserves).

Trading review

The increased malt capacity (following the acquisition of Alloa maltings during 2002) was fully produced and delivered during the year. The malt products division also expanded its customer base considerably, particularly in the export sector. Profit margins were slightly reduced, however, due to escalating energy costs and strong competition in the market place.

Short term borrowings have increased during the year, largely due to a steep rise in the price of 2003 harvest barley and wheat.

The Company has continued to improve its production facilities, capital investment for 2003 totalling almost £2.5million.

Post Balance Sheet Event

Since the Balance Sheet date, the company has reached a settlement with DEFRA regarding their claim relating to disputed computation methodology on restitution claims made between 1994 and 1996. Full provision has been made in these accounts.

Directors

The members of the board are listed on page 1.

Mr D Egar resigned as a director on 2 October 2003.

The interests of Messrs Amos, Barnes, Macpherson, Mayes, Pearce Gould and Scott in the shares of Anglia Maltings (Holdings) Limited are disclosed in the directors' report of that company. The interests of Mr Gooch in Anglia Maltings (Holdings) Limited are as follows:

	31 December 2003		1 January 2003	
	Shares	Options	Shares	Options
BG Gooch	1,450	Nil	629	16,046

A M Group Limited

Directors' report *(continued)*

Employee relations

The Company encourages, where possible, the employment of disabled people and the retention of those who become disabled during their employment with the company by such means as may be appropriate to the circumstances of each situation.

The directors recognise the importance, for good employee relations, of meaningful communication. Directors are concerned to provide information on the performance of the company, and various methods, including briefing groups at all levels, are used to achieve this.

Health and Safety

The Company has a Health and Safety manual which is issued to every employee. All sites have a Health and Safety committee who meet on a regular basis.

Auditors

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

By order of the board



I.R. Barnes

Secretary

5 April 2004

Great Ryburgh
Fakenham
Norfolk

A M Group Limited

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 company and of the profit or loss of the company 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 maintaining proper accounting records, for safeguarding the assets of the company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

A M Group Limited

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

A M GROUP LIMITED

We have audited the financial statements of A M Group Limited for the year ended 31 December 2003 which comprise the profit and loss account, the statement of recognised gains and losses, the balance sheet and notes 1 to 20. 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's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable law and United Kingdom accounting standards are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.


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



GRANT THORNTON

REGISTERED AUDITORS/CHARTERED ACCOUNTANTS

NORWICH 5 April 2004

A M Group Limited

Profit and loss account for the year ended 31 December 2003

	<i>Note</i>	2003	2002
		£	£
Turnover	2	51,981,201	48,991,181
Net operating costs	3	(48,542,853)	(45,377,538)
Operating profit		3,438,348	3,613,643
Interest payable		(918,000)	(888,000)
Profit on ordinary activities before taxation	4-6	2,520,348	2,725,643
Tax charge on profit on ordinary activities	7	(923,989)	(1,042,929)
Profit on ordinary activities after taxation		1,596,359	1,682,714
Dividends paid	8	(1,000,000)	-
Retained profit for the financial year	17	£596,359	£1,682,714

All the above relate to continuing activities.

Note of historical cost profits and losses for the year ended 31 December 2003

	2003	2002
	£	£
Reported profit on ordinary activities before taxation	2,520,348	2,725,643
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	85,126	85,126
Historical cost profit for the year before taxation	2,605,474	2,810,769
Historical cost profit for the year after taxation and dividends	£681,485	£1,767,840

The notes on pages 9 to 21 form part of these financial statements.

A M Group Limited

Statement of Total Recognised Gains and Losses for the year ended 31 December 2003

	2003	2002
	£	£
Profit for the financial year	1,596,359	1,682,714
Total recognised gains and losses relating to the year	1,596,359	1,682,714
Prior year adjustment (in respect of deferred tax)	-	(2,798,000)
Total gains and losses recognised since last annual report	£1,596,359	£(1,115,286)

The notes on pages 9 to 21 form part of these financial statements

A M Group Limited

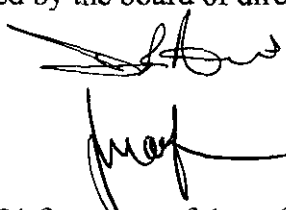
Balance sheet

at 31 December 2003

	Note	2003	2002
		£	£
Fixed assets			
Tangible assets	9	21,621,122	21,450,878
Current assets			
Stocks	10	15,857,360	13,997,121
Debtors	11	6,946,793	5,739,994
Cash at bank and in hand		6,879	5,064
		<u>22,811,032</u>	<u>19,742,179</u>
Creditors: amounts falling due within one year	12	<u>(33,021,397)</u>	<u>(30,369,652)</u>
Net current liabilities		(10,210,365)	(10,627,473)
Total assets less current liabilities		11,410,757	10,823,405
Creditors: amounts falling due after more than one year	12	(52,151)	(71,158)
Provision for liabilities and charges	15	(2,487,000)	(2,477,000)
		<u>£8,871,606</u>	<u>£8,275,247</u>
Capital and reserves			
Called up share capital	16	153,400	153,400
Revaluation reserve	17	940,128	1,025,254
Capital redemption reserve	17	11,600	11,600
Profit and loss account	17	7,766,478	7,084,993
Equity shareholders' funds	20	<u>£8,871,606</u>	<u>£8,275,247</u>

These financial statements were approved by the board of directors on 5 April 2004 and were signed on its behalf by:

DR Amos) Directors
EM Macpherson)



The notes on pages 9 to 21 form part of these financial statements

A M Group Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards and in accordance with Section 226 and Schedule 4 of the Companies Act 1985.

The effects of events relating to the year ended 31 December 2003 which occurred before 5 April 2004, the date of approval of the financial statements by the board of directors, have been included in the statements to the extent required to show a true and fair view of the state of affairs at 31 December 2003 and of the results for the year ended on that date.

Cash flow statement

In accordance with the exemptions available under Financial Reporting Standard 1 (revised 1996) the company has not prepared a cash flow statement.

Related party disclosures

The Company has taken advantage of the exemptions available under Financial Reporting Standard 8 whereby subsidiary undertakings do not have to disclose inter group transactions if 90% or more of their shares are controlled within the group.

Tangible fixed assets

The Company has elected not to adopt a policy of revaluation, but to retain book amounts that reflect previous valuations as permitted under the transitional arrangements of Financial Reporting Standard 15.

Depreciation

Depreciation of buildings, plant and equipment is calculated so as to write-off their value in equal annual instalments over their expected economic lives. No depreciation is charged on freehold land. Estimates made of economic lives vary according to type of asset, as follows:

Buildings	5	-	50 years
Plant and Equipment	3	-	25 years
Vehicles	3	-	15 years

Stocks and work in progress

Stocks and work-in progress are valued at the lower of cost and net realisable value. Production overhead costs, where appropriate, are included in the value of stocks and work-in progress.

A M Group Limited

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. In accordance with Financial Reporting Standard 19 (FRS 19), provision is made for deferred tax in respect of all timing differences that have originated but not reversed by the balance sheet date, except that deferred tax assets are only recognised to the extent that they are regarded as recoverable. The amount provided for deferred taxation is discounted.

Finance Leases

When plant, equipment or vehicles are acquired on finance leases, the cost of the asset is capitalised and written off over the estimated useful life of the asset. The leasing finance charges are borne by the ultimate parent undertaking.

Operating Leases

Operating lease costs are charged to the profit and loss account as incurred.

Pension obligation

The group operates a pension fund. Payments made to the fund and charged against the profit and loss account in the group accounts are calculated with actuarial advice and represent a proper charge to cover the accruing liabilities. Independent actuarial valuations of the fund are made at least every three years. Any surplus or deficit arising from the valuations has been amortised over a period of not less than five years. The company is unable to identify its share of the underlying assets and liabilities of the group scheme and consequently accounts for the pension cost as though the scheme is a defined contribution scheme. Full details of the actuarial valuation of the group scheme are contained within the financial statements of Anglia Maltings (Holdings) Limited.

Employer contributions to personal pension plan arrangements are charged against the profit and loss account as incurred.

Research and development

Research and development expenditure is written off as incurred.

A M Group Limited

Notes (continued)

1 Accounting policies (continued)

Foreign currency

Exchange gains and losses arising on transactions in foreign currencies are reported as part of the profit and loss account.

Foreign currency balances, net of debts due or payable in that currency, are translated into sterling at the exchange rate at the time of transaction or at 31 December 2003 – whichever is appropriate.

2 Turnover

Turnover derives from the sale of malt and malt products and related activities excluding inter-company sales, VAT and allowances given.

Turnover by destination is as follows:

	2003 £	2002 £
United Kingdom	37,261,173	30,994,219
Europe	3,186,084	4,693,842
Rest of World	11,533,944	13,303,120
	<hr/>	<hr/>
	£51,981,201	£48,991,181
	<hr/>	<hr/>

3 Net operating costs

Net operating costs are as follows:

	2003 £	2002 £
Change in stocks of finished goods and work in progress	(17,438)	136,181
Raw materials and consumables	(25,319,612)	(24,021,368)
Other external charges	(7,862,826)	(6,869,996)
Staff costs (note 5)	(7,014,636)	(6,136,061)
Depreciation of tangible fixed assets	(2,272,175)	(1,953,087)
Other operating charges	(6,056,166)	(6,533,207)
	<hr/>	<hr/>
	£(48,542,853)	£(45,377,538)
	<hr/>	<hr/>

A M Group Limited

Notes (continued)

4 Profit on ordinary activities

The profit on ordinary activities before taxation is stated after charging:

	2003 £	2002 £
Group interest payable	918,000	888,000
Depreciation of tangible fixed assets		
- leased	201,356	194,490
- other	2,070,819	1,758,597
Auditors' remuneration	31,000	31,000
Directors' emoluments	678,075	620,880
Research and development	43,715	72,812
Hire of plant	337,710	335,769
Profit on sale of fixed assets	111,076	12,391
	<hr/>	<hr/>

5 Staff costs

	2003 £	2002 £
Wages and salaries	6,075,926	5,309,170
Social security costs	511,293	413,828
Other pension costs	427,417	413,063
	<hr/>	<hr/>
	£7,014,636	£6,136,061
	<hr/>	<hr/>

The average number of employees during the year was 280 (2002: 276).

A M Group Limited

Notes (continued)

6 Directors' emoluments

	2003 £	2002 £
Directors' emoluments	678,075	620,880

The emoluments of the highest paid director were £141,063 (2002: £111,476). He is a member of a defined benefit scheme under which the accrued pension to which he would be entitled from normal retirement date if he were to retire at the year end was £48,896 (2002: £37,810).

Retirement benefits are accruing to the following number of directors under:

	2003	2002
Defined benefit schemes	6	7

No directors were granted options over ordinary shares in Anglia Maltings (Holdings) Limited in 2003 (2002: Nil), however, 871 options were exercised (2002: 579).

7 Taxation on profit on ordinary activities

a) The tax charge represents:

	2003 £	2002 £
Current tax:		
UK corporation tax on profit of the year at 30% (2002: 30%)	950,783	1,003,929
Adjustments in respect of previous periods	(36,794)	-
Total current tax (note 7b)	913,989	1,003,929
Deferred tax:		
Origination and reversal of timing differences	120,000	(67,773)
(Increase)/decrease in discount	(110,000)	106,773
Total deferred tax	10,000	39,000
Tax on profit on ordinary activities	£923,989	£1,042,929

A M Group Limited

Notes (continued)

7 Taxation on profit on ordinary activities (continued)

b) Factors affecting tax charge for period:

The tax assessed for the period is higher than the standard rate of corporation tax in the UK 30% (2002: 30%). The differences are explained as follows:

	2003 £	2002 £
Profit on ordinary activities before tax	2,520,348	2,725,643
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK 30% (2002: 30%)	756,104	817,693
Effect of:		
Expenses not deductible for tax purposes	115,723	118,463
Depreciation for the period in excess of capital allowances	97,350	9,221
Other timing differences	14,929	105,635
Utilisation of tax losses	-	(43,364)
Profit on disposal of fixed assets	(33,323)	(3,719)
Adjustments to tax charge in respect of previous periods	(36,794)	-
Current tax charge for the period (note 7a)	£913,989	£1,003,929

8 Dividends

Dividends of £6.52 per share were paid during the year (2002: £Nil).

A M Group Limited

Notes (continued)

9 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Assets held under finance lease £	Total £
Cost or valuation				
At beginning of year	5,760,714	25,107,266	4,147,208	35,015,188
Additions	375,427	2,105,047	-	2,480,474
Disposals	(115,000)	(193,769)	-	(308,769)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	6,021,141	27,018,544	4,147,208	37,186,893
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of year	(1,782,030)	(10,290,119)	(1,492,161)	(13,564,310)
Charge for year	(254,808)	(1,816,011)	(201,356)	(2,272,175)
On disposals	85,000	185,714	-	270,714
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	(1,951,838)	(11,920,416)	(1,693,517)	(15,565,771)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2003	£4,069,303	£15,098,128	£2,453,691	£21,621,122
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	£3,978,684	£14,817,147	£2,655,047	£21,450,878
	<hr/>	<hr/>	<hr/>	<hr/>

Included in the cost/valuation at 31 December 2003 of £6,021,141 for freehold land and buildings is an amount of £1,349,473 representing the valuation of land which is not depreciable.

Plant and machinery includes assets with a net book value of £855,073 (2002: £909,054) which have been pledged as security against borrowings in Anglia Maltings (Holdings) Limited.

A M Group Limited

Notes (continued)

9 Tangible fixed assets (continued)

Details of revalued assets are given below:

	2003 £	2002 £
At 1994 valuation	11,140,369	11,281,369
Depreciation thereon	(5,053,351)	(4,610,263)
	<hr/>	<hr/>
	£6,087,018	£6,671,106
	<hr/>	<hr/>

	2003 £	2002 £
Historical cost of revalued assets	14,703,851	15,124,031
Aggregate depreciation based on historical cost	(9,556,961)	(9,478,179)
	<hr/>	<hr/>
Historical cost net book value	£5,146,890	£5,645,852
	<hr/>	<hr/>

10 Stocks

	2003 £	2002 £
Raw materials and consumables	13,503,224	11,565,736
Finished goods and goods for resale	2,354,136	2,431,385
	<hr/>	<hr/>
	£15,857,360	£13,997,121
	<hr/>	<hr/>

11 Debtors

	2003 £	2002 £
Trade debtors	6,375,706	5,262,599
Other debtors	469,464	378,031
Prepayments and accrued income	101,623	99,364
	<hr/>	<hr/>
	£6,946,793	£5,739,994
	<hr/>	<hr/>

A M Group Limited

Notes (continued)

12 Creditors	2003	2002
	£	£
Due within one year:		
Trade creditors	(3,881,548)	(3,899,121)
Obligations under finances leases	(19,007)	(17,434)
Amounts owed to group under-takings:		
Ultimate parent	(28,050,422)	(24,973,029)
Other creditors	(848,541)	(476,139)
Corporation tax	(221,879)	(1,003,929)
	<u>£(33,021,397)</u>	<u>£(30,369,652)</u>
	<u><u>£(33,021,397)</u></u>	<u><u>£(30,369,652)</u></u>
	2003	2002
	£	£
Due more than one year:		
Obligations under finances leases	(52,151)	(71,158)
	<u>£(52,151)</u>	<u>£(71,158)</u>
	<u><u>£(52,151)</u></u>	<u><u>£(71,158)</u></u>

13 Deferred Liabilities - Obligations under Finance Leases

The future lease payment to which the Group is committed at 31 December 2003, under finance leases, include finance charges of £9,343 (31.12.02 £15,566) and the amount payable within one year is £23,652 (31.12.02 £23,652).

	2003	2002
	£	£
Obligations at 1.1.03	88,592	-
Capital addition	-	97,477
Capital repayments	(17,434)	(8,885)
	<u>£71,158</u>	<u>£88,592</u>
	<u><u>£71,158</u></u>	<u><u>£88,592</u></u>

The finance lease obligations are secured on the related assets.

A M Group Limited

Notes (continued)

14 Ultimate parent undertaking

The Company is a wholly owned subsidiary undertaking of Anglia Maltings (Holdings) Limited, which is registered in England.

The Company operates a joint bank account with its ultimate parent undertaking, the company's portion of which is included in amounts owed to ultimate parent undertaking.

15 Provisions for liabilities and charges

Deferred taxation	2003	2002
	£	£
At 1.1.03	(2,477,000)	(2,438,000)
Charge for the year in profit and loss account	(10,000)	(39,000)
At 31.12.03	<u>£(2,487,000)</u>	<u>£(2,477,000)</u>

The potential liability to deferred taxation is set out below:

	2003	2002
	£	£
Capital allowances in advance of depreciation	3,701,000	3,633,000
Other timing differences	(67,000)	(119,000)
Unutilised tax losses	(1,000)	(1,000)
Undiscounted provision for deferred tax	<u>3,633,000</u>	<u>3,513,000</u>
Discount	(1,146,000)	(1,036,000)
Discounted provision for deferred tax	<u>£2,487,000</u>	<u>£2,477,000</u>

A M Group Limited

Notes (continued)

16 Called up share capital

	2003	2002
Authorised		
185,400 ordinary shares of £1 each	£185,400	£185,400
	<hr/>	<hr/>
Allotted, called up and fully paid		
153,400 ordinary shares of £1 each	£153,400	£153,400
	<hr/>	<hr/>

17 Reserves

	Profit and loss account £	Capital redemption reserve £	Revaluation Reserve £	2003 total £
At 1.1.03	7,084,993	11,600	1,025,254	8,121,847
Transfer to profit and loss account	596,359	-	-	596,359
Transfer for year	85,126	-	(85,126)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31.12.03	£7,766,478	£11,600	£940,128	£8,718,206
	<hr/>	<hr/>	<hr/>	<hr/>

18 Guarantees

The Company has guaranteed the indebtedness of other group undertakings to the group's bankers. The total amount outstanding at the year end was £12,866,405 (2002: £10,373,148).

The Company guarantees the undertakings made by the group's bankers to DEFRA against liabilities which may arise under the EU Agricultural Produce Intervention System in respect of its trading activities.

A M Group Limited

Notes (continued)

19 Commitments

	2003	2002
(i) Future capital expenditure contracted by the directors and not provided for in these financial statements is as follows:	£495,000	£319,597
	<u> </u>	<u> </u>

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

Plant and machinery and trade supply agreements	2003	2002
Expiring in less than one year	£14,075	£182,319
	<u> </u>	<u> </u>
Expiring in the second to fifth years inclusive	£341,093	£488,177
	<u> </u>	<u> </u>

Land and buildings (Storage facilities)	2003	2002
Expiring in the second to fifth years inclusive	£150,000	£150,000
	<u> </u>	<u> </u>

A M Group Limited

Notes (continued)

20 Reconciliation of movements in equity shareholders' funds

	2003	2002
	£	£
Profit for the year	1,596,359	1,682,714
Dividends	(1,000,000)	-
	<hr/>	<hr/>
Net change to shareholders' funds	596,359	1,682,714
	<hr/>	<hr/>
Opening equity shareholders' funds		
- as previously reported	8,275,247	9,390,533
Prior year adjustment	-	(2,798,000)
	<hr/>	<hr/>
As restated	8,275,247	6,592,533
	<hr/>	<hr/>
Closing equity shareholders' funds	£8,871,606	£8,275,247
	<hr/>	<hr/>