BAIRDS MALT LIMITED

Registered Number: 03580592

Strategic Report, Directors' Report and Financial Statements

For the year ended 30 September 2019

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BAIRDS MALT LIMITED

COMPANY INFORMATION, OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

R G Woodley
B A Weimann
J S Rasanayagam
R Broadbent

SECRETARY

B A Weimann

REGISTERED OFFICE

Station Maltings
Witham
Essex
CM8 2DU

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
141 Bothwell Street
Glasgow
G2 7EQ

BANKER

HSBC Bank plc
7 West Nile Street
Glasgow
G1 2RQ

BAIRDS MALT LIMITED

STRATEGIC REPORT

The directors present their strategic report for the year ended 30 September 2019.

BUSINESS REVIEW

On the 27th September 2019 as part of a GrainCorp Limited restructure the trading assets and liabilities of Saxon Agriculture Limited (Saxon) were sold to a fellow GrainCorp Limited subsidiary and is presented in the financial statements as a discontinued activity. As a result the 2018 comparatives have been restated. The profit before tax for continuing operations was £10,289,000 (2018 restated: £86,000).

The company, its directors and its senior management team continue to work on the health and safety of the company's employees. Safety of all who work or perform work at any of the company's sites is of paramount importance. To ensure and reduce the risk of injury to person or damage to property the company has a risk assessment for each and every activity that occurs on any of its sites. This is supported by extensive training programmes designed to assist employees in identifying potential hazards in the workplace before they result in an injury. In the financial year under review the company experienced a low number of lost time injuries either through poor manual handling technique or from a slip, trip or fall from insufficient situational awareness. The company continues its proactive identification and reporting and rolled out a leader engagement programme to observe and reinforce good working practices and behaviours. The continued focus on our safety and wellbeing of the employees has allowed the business to proactively respond to the health challenge that Covid-19 has and is presenting in 2020.

The company has continued to operate during Covid-19 pandemic as it and its customers are operating in the essential food and drink sector. The company introduced a number of measures, amongst others, such as split production shifts containing skeleton staff, have 42% of its workforce working from home, introduced social distancing and increased hygiene measures to reduce the risk of transmission of the virus amongst its workforce. To date the company and its employees have been successful in achieving this objective. The directors thank the employees for their input into the processes put in place to ensure that the company's sites are Covid secure.

Beer consumption in the UK in the calendar year to December 2019 rose by 1.1% year on year, according to the British Beer and Pub Association. On-trade sales experienced a fall of 0.8% compared to 2018 due to continued competition from other alcohol sectors, however the off-trade (take home) sales increased by 2.7% compared to 2018. This trend continues to apply pressure to established main beer brands which impacts their malt purchasing as brewery utilisation levels reduce. The company experienced a drop in volume in to the brewing sector as one national customer contract was lost due to price competition below which the company was prepared to offer. The company experienced an increase in the volume sold in the craft beer sector as they increase production to meet market demands. The company believes it is well placed to successfully meet that sector's expectations for good quality brewing ingredients supported by efficient pricing and superb customer service. The prospects for 2020 deliveries, prior to Covid-19, were indicating that the business would see its national brewing volumes remaining comparable to 2019, with slightly increased volumes into the craft beer and distilling sectors.

The whisky industry, overall, continues to drive increased demand for malt as they see medium to long term increased demand for their products. Despite the challenges of Brexit, The Scottish Whisky industry remains confident about the future as new distilleries have opened and old distilleries re-opened. According to the Scottish Whisky Association there has been an increase in export of Scotch Whisky of 4.2% in value and 2.4% in volume in the calendar year to December 2019. In 2019, the demand for malt volume was up on the previous year volumes. The company continues to focus on quality product with high quality service. The prospects for 2020 deliveries, prior to Covid-19, into UK distilling were indicating an increase in volumes compared to 2019.

On the export of malt the company experienced another year of increased exports volumes in 2019 with a number of customers increasing their volumes with the company. For the financial year 2020, new export sales contracts together with existing contracts were expected to allow the company to continue the growth in the export sector.

As mentioned above 2020 outlook for sales volumes was looking very positive prior to Covid-19 pandemic in the UK and globally. In line with the hospitality and travel sectors the Company has seen its volumes of deliveries greatly reduce from mid to late March 2020. The result of lower beer and whisky production as a result of Covid-19 is currently indicating that 2020 volumes will be more or less the same as 2019 volumes. The full extent of the impact is not yet known as, at the time of this report, the UK is only beginning a gradual phased reopening of businesses, including hospitality. 2020 to date has seen a number of the company's facilities stop production or run at greatly reduced capacity as a result of the reduced demand, however the company has not at any stage not been able to meet its obligations to its customers or its suppliers. The directors are confident that the financing facilities in place for the company will allow the company to continue to meets its strategic objectives which includes its investment plans.

STRATEGIC REPORT (continued)

As reported in 2018, in response to the strong growth of the whisky sector and customer demand, GrainCorp Limited, the company's ultimate parent undertaking, and the company had announced a £51 million investment to expand the Arbroath and Inverness malting capacity. The investment will add a total of 79,000 tonnes of annual malting capacity by upgrading its Arbroath facility and construction of a new state-of-the-art malting plant at the Inverness site. The expansion will bring Bairds total annual capacity to over 300,000 tonnes. The new capacity will enable the company to build on its strong relationships and remain a supplier of choice across the Scottish distilling industry. Work has commenced at both sites, the Arbroath expansion is now due to be complete by December 2020 due to a delay in design work as well as the impact of Covid-19. The Inverness expansion is expected to be complete towards the end of 2021.

The directors consider the company to be well positioned to address commodity prices movements and the competitive malt markets across Europe and are confident that, given the current funding, the company is well positioned to develop opportunities in both the brewing and distilling sectors.

The Group's merchanting division overall has seen a fall in its profitability, particularly in England whilst the Scottish merchanting operation has seen improved profitability compared to 2018. On the 27th September 2019 as part of a GrainCorp Limited restructure the trading assets and liabilities of Saxon Agriculture were sold to a fellow GrainCorp Limited subsidiary for £18.1m. As a result, what remains in the merchanting operation is principally Scotgrain Agriculture. The strength of this division lies with the broad spectrum of services it can provide, from farm input sales (fertiliser, seed, chemicals) to professional advice on the market in addition to the products. This service allows the division to continue to operate from a position of strength with good relationships with its growers and customers. With regards to Covid-19 as the vast majority of the divisions customers are involved in the food sector the division has continued to operate at or near its expected operational levels, although the expectation pre Covid-19 was for a slight reduction in its profitability principally due to investment in its people for the future as well as slightly lower margin expectation on the back of larger crops available.

The company continues to focus on key customers and where possible reduce the exposure to volatile markets. Malting facilities are operated to optimise local logistics and meet customer requirements. The company is committed to maintaining customer service and consistent product quality. The company monitors its performance against the customer specifications on a regular basis and performance outside of the parameters specified by the customer are reported to the directors. It is the policy of the company to review its production capability in light of customer demand requirements and quality of grain being supplied to it thereby ensuring that the risk of non-supply or supply of low quality product to its customers is absolutely minimised to the lowest level possible. In addition the company reviews its operating costs so that the business can continue to be competitive and retain the ability to invest in the future.

The UK's decision to leave the European Union on 31 December 2019 continues to create uncertainty within the economy during the transitional period to 31 December 2020 as well as the risk of increasing the level of complexity of doing business with Europe. The company continues to closely monitor the Brexit transition negotiations to understand the potential impact on its customers' operations (export tariffs, demand for whisky, exchange rate implications), its supply chain (agricultural policies and their effects on farm) as well on its own operations. The company is remaining in close dialogue with key customers, the Maltsters Association of Great Britain (MAGB, of which the company is a member), and suppliers to ensure that any impact on it can be identified as early as possible and mitigation actions can be put into place. Due to the uncertainty around these transition negotiations, the company is not in a position to determine that there will be no adverse impact on its costs or supply of materials as a result. However the UK has in recent years been a small net importer of malt and our export sales to the EU are minimal, therefore the direct trading impact on our business is not significant. The UK published its revised WTO tariff schedules in May, with malt import tariffs replicating current EU tariffs and providing protection to our industry as new trade deals are negotiated. The directors are confident that they are taking appropriate steps to provide resilience to the business.

STRATEGIC REPORT (continued)

The company's activities expose it to a number of financial risks including cash flow risk, price and supply risk, and credit risk. The Directors' Report details how the company manages these risks. The company continues to review its use of natural resources with the objective to seek alternative sources of energy so as to reduce its impact on the environment. There are a number of exciting projects currently under review which could result in a major reduction in consumption, provided they are financially viable.

KEY PERFORMANCE INDICATORS

Management have a strict reporting regime with operating results measured against the annual business plan which is monitored on a periodic basis. The internal reporting structure includes a number of key indicators which the directors considers commercially sensitive. As a result, these are not disclosed in the financial statements.

Key performance indicators which the company considers important and which are available from the information contained in the attached financial statements include the following:-

- EBITDA from continuing operations which reflects the operational ability to generate cash flow, was £9,409,000 (2018 restated: £6,823,000). EBITDA from continuing operations excludes other income of £7,870,000 for 2019 (2018: £nil).

- EBITDA from continuing operations generated per employee, which is part of the measure of the operational efficiency, was £47,520 (2018 restated: £34,811)

- Working capital (excluding cash and current debt) as a % of net sales, which highlights the efficiency of management of funds invested in the working capital of the business, was 6.7% (2018: 8.0%)

- The net assets of the company show an increase of £5,854,000 from £85,277,000 as at 30 September 2018 to £91,131,000 as at 30 September 2019

Approved by the board of directors and signed by their order by:

B A Weimann
Secretary
18 September 2020

BAIRDS MALT LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 30 September 2019.

The company has adopted Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101), the Financial Reporting Standard applicable in the United Kingdom and the Companies Act 2006.

RESULTS AND DIVIDENDS

The company's financial profit from continuing operations for the financial year amounted to £9,887,000 (2018 restated loss: £170,000). The financial statements present on pages 12 to 35 reflect the results for the financial year.

On the 27th September 2019 the company sold one of its merchanting divisions, Saxon Agriculture, to a fellow GrainCorp Limited subsidiary. The disposal was achieved at trading net asset value of £18,105,000. The settlement was in two payments, one on the 27th September 2019 of £16,000,000 and the balance on 31 January 2020. The cash received was utilised to repay interest bearing loans to a fellow group undertaking, GrainCorp Operations Limited. In addition on the 27th September 2019, GrainCorp Operations Limited cancelled £8,000,000 of the long term interest bearing debt.

The directors do not recommend the payment of a dividend (2018: £nil).

DIRECTORS

The directors of the company serving during the financial year and to the date of this report are:

R G Woodley
A G Bell (resigned 1 April 2020)
D J Smith (resigned 1 April 2020)
B A Weimann (appointed 1 April 2020)
J S Rasanayagam (appointed 1 April 2020)
R Broadbent (appointed 1 August 2020)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The company's articles of association contain 'qualifying third party indemnity provisions', as defined in section 234 of the Companies Act 2006. Under these provisions each director and officer is entitled to be indemnified by the company, so far as permitted by law, in respect of certain liabilities which may attach to him in the exercise of his duties.

The company maintains insurance to cover its directors and officers, including non-executive directors, in the discharge of their duties against the loss and legal expenses incurred by each insured person due to a wrongful act. This cover provides for company reimbursement if the company pays the loss and legal expenses arising from any wrongful act of an insured person. The policy does not provide payment where the director or officer has acted fraudulently, maliciously or dishonestly.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's activities expose it to a number of financial risks including cash flow and liquidity risk, price and supply risk, credit risk and pension scheme risk. The use of financial derivatives is governed by the company's policies approved by the board of directors and are documented within the company's Charter of Operations (specifically established to cover the enlarged company's UK operations). In addition these policies are in line with the policies issued by its ultimate parent company, United Malt Limited. The company does not use derivative financial instruments for speculative purposes.

Management continuously review risks and their effects on the business. The company has outlined the risks around Brexit in the Strategic Review. This forms part of the management reporting system and covers all aspects of the business including the following:

Cash flow risk
The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The company uses foreign exchange forward contracts to hedge its committed exposure.

The company is exposed to liquidity risk which it manages through banking facilities, inventory financing facilities and GrainCorp/United Malt group facilities in the form of loans. The company is party to the Common Terms Deed which allows the company to draw down funds to meet its funding requirements. The company has sufficient head room in these facilities to enable it to meets the liquidity demands that arise in its operations. The risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Price and supply risk
The company is exposed to commodity price risk which it manages through the use of grain futures to protect margins, as well as managing grain positions based on market conditions.

The company is exposed to energy price risk which it manages through a structured procurement strategy to minimise the impact on the company. The strategy takes into account stop loss limits that the company accepts as reasonable as well as minimum levels of cover based on production and sales volumes.

DIRECTORS' REPORT (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The company is exposed to grain supply risk which it manages through its direct relationships it has with growers across the UK. The company has the ability to manage the risk associated with the supply of grain by providing growers with assured seed, agricultural inputs, advice and contracting with these growers for their harvests. In addition the company has very strong links with fellow GrainCorp divisions which allows the company to effectively and efficiently manage its risk of supply in the UK grain market.

The company is exposed to a malt supply risk for its customers which is manages through preventative maintenance programmes, safety initiatives, standard operating procedures across all its sites as well as an active capital replacement program for key items of manufacturing equipment. In addition, production is not concentrated on one site which enables to company to switch supply requirements between sites should there be a loss of a particular site for a period of time.

Credit risk

The company's principal financial assets are bank and cash balances, trade and other debtors and investments. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Relationships with key customers are closely monitored by the directors with regular customer feedback obtained, discussed and evaluated by senior management within the company.

Covid-19 risk

As mentioned in the Strategic Report Covid-19 represents a significant risk to the company. The company's first priority is the health, safety and wellbeing of its employees, customers, suppliers and contractors. To this extent the company has implemented measures that make its sites Covid secure in line with government recommendations and reduce the risk of transmission of the virus. Whilst the company cannot currently predict the extent and duration of the impact of Covid-19 the company is confident in its strategic objectives and investments as well as access to sufficient finance to maximise its long term potential.

Defined benefit pension scheme

The company is exposed to pension risk due to the funding deficit on its defined benefit pension scheme. This risk is impacted by investment performance as well as actuarial factors such as longevity and inflation. The company manages this through a board of directors for the Corporate Trustee of which the company has the right to appoint three company nominated trustee directors, pension scheme advisors and receives regular financial updates on the progress of the pension scheme.

EMPLOYEE INVOLVEMENT

Within the bounds of commercial confidentiality, staff at all levels are kept informed of matters which affect the progress of the company and which are of interest to them as employees. The company and its ultimate parent undertaking conduct engagement surveys which facilitates the discussion of areas to improve to ensure a high proportion of the workforce is kept informed and are engaged in the business.

DISABLED EMPLOYEES

The company 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 company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

DIRECTORS' REPORT (continued)

POST BALANCE SHEET EVENTS

On 23rd March 2020 the ultimate parent company changed from GrainCorp Limited to United Malt Group Limited on the approval of the regulatory authorities in Australia for the demerger and separate listing on the Australian Stock Exchange of the malt business, United Malt Group Limited.

There were no other significant post balance sheet events that require disclosure or adjustment.

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board

B A Weimann
Secretary
18 September 2020

Independent auditors' report to the members of Bairds Malt Limited

Report on the audit of the financial statements

Opinion

In our opinion, Bairds Malt Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 30 September 2019; the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Independent auditors' report to the members of Bairds Malt Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Bairds Malt Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Kenneth Wilson

Kenneth Wilson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
18 September 2020

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 September 2019

	Note	2019 £'000	Restated 2018 £'000
Turnover	4	**135,059**	115,921
Cost of sales		**(114,507)**	(97,205)
Gross profit		**20,552**	18,716
Distribution costs		**(4,797)**	(4,223)
Administrative expenses		**(11,479)**	(12,502)
Other income	6	**7,870**	-
Operating Profit	6	**12,146**	1,991
Finance income	7	**111**	57
Finance costs	8	**(1,968)**	(1,962)
Profit before taxation		**10,289**	86
Tax on profit	9	**(402)**	(256)
Profit/(Loss) for the year from continuing operations		**9,887**	(170)
(Loss)/profit from discontinued operations	12	**(17)**	2,458
Profit for the year		**9,870**	2,288
Other comprehensive income			
Actuarial (loss)/gain on pension scheme	19	**(4,839)**	7,113
Deferred tax gain/(expense) on actuarial (loss)/gain		**823**	(1,209)
Total other comprehensive (expense)/income		**(4,016)**	5,904
Total comprehensive income for the year		**5,854**	8,192

STATEMENT OF FINANCIAL POSITION
As at 30 September 2019

	Note	2019 £'000	2018 £'000
Fixed Assets			
Intangible assets	10	**1,087**	1,933
Property, plant and equipment	11	**49,128**	48,685
Investments	12	**-**	15,942
		50,215	66,560
Current Assets			
Inventories	13	**55,087**	77,003
Trade and other receivables	14	**33,375**	46,342
Cash and cash equivalents		**34,069**	51,065
		122,531	174,410
Trade And Other Payables: amounts falling due within one year	15	**(71,074)**	(106,644)
Net Current Assets		**51,457**	67,766
Total Assets Less Current Liabilities		**101,672**	134,326
Trade And Other Payables: amounts falling due after more than one year	16	**(2,013)**	(41,955)
Deferred Taxation	17	**(2,431)**	(2,837)
Net Assets Before Pension Deficit		**97,228**	89,534
Pension Deficit	19	**(6,097)**	(4,257)
NET ASSETS		**91,131**	85,277
EQUITY			
Called up share capital	18	**14,900**	14,900
Share premium account		**60,610**	60,610
Retained earnings		**15,621**	9,767
TOTAL SHAREHOLDERS' FUNDS		**91,131**	85,277

Registered number: 03580592

The financial statements on pages 12 to 35 were approved by the board of directors and authorised for issue on 18 September 2020 and signed on its behalf by:

R G Woodley

Director

STATEMENT OF CHANGES IN EQUITY
Year ended 30 September 2019

	Called up share capital	Share premium account	Retained earnings	Total shareholders' funds
	£'000	£'000	£'000	£'000
Balance as at 1 October 2017	**14,900**	**60,610**	**1,575**	**77,085**
Profit for the financial year	-	-	2,288	2,288
Net actuarial gain on pension scheme	-	-	5,904	5,904
Total comprehensive income for the year	-	-	8,192	8,192
Balance as at 30 September 2018	**14,900**	**60,610**	**9,767**	**85,277**
Profit for the financial year	-	-	9,870	9,870
Net actuarial loss on pension scheme	-	-	(4,016)	(4,016)
Total comprehensive income for the year	-	-	5,854	5,854
Balance as at 30 September 2019	**14,900**	**60,610**	**15,621**	**91,131**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2019

1. GENERAL INFORMATION

The company is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office Station Maltings, Witham, Essex, CM8 2DU.

The company'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 company has grain merchanting operations. There have been no significant changes in the company's principal activities in the year.

2. ACCOUNTING POLICIES

Basis of preparation
The financial statements have been prepared under the historical cost convention, except derivative financial instruments which are held at fair value and in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101), the Financial Reporting Standard applicable in the United Kingdom and the Companies Act 2006 as applicable to companies that apply FRS101.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied consistently:

Exemptions for qualifying entities under FRS 101
FRS 101 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders. The Company has taken advantage of the following exemptions:

- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
  - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows); 16 (statement of compliance with all IFRS); 38A (requirement for minimum of two primary statements, including cash flow statements); 38B–D (additional comparative information); 111 (cash flow statement information); and 134–136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

Exemption from consolidated financial statements
The company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 401 of the Companies Act 2006 as it is a wholly owned subsidiary of GrainCorp Limited, which prepares consolidated financial statements. Accordingly, group financial statements have not been prepared and information in these financial statements is presented for the individual company rather than for the group.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

2. ACCOUNTING POLICIES (continued)

Revenue recognition (continued)
Sale of goods
Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services
Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Investments
A subsidiary is an entity over which the company is in a position to exercise control over the financial and operating policies.so as to obtain benefits from their activities. Investments in subsidiaries are recognised at cost less provision for impairment.

Goodwill
Goodwill and intangible assets with indefinite lives are tested for impairment annually or more frequently if circumstances indicate that an asset may be impaired. The company evaluates the carrying value of goodwill to determine if there has been impairment in value which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the Statement of Comprehensive Income.

Property, plant and equipment and depreciation
Property, plant and equipment are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

(i) Plant and machinery, fixtures and fittings and motor vehicles
Plant and machinery are stated at cost less accumulated depreciation and accumulated impairment losses.

(ii) Depreciation and residual values
Depreciation is calculated, using the straight-line method, to allocate the depreciable amount to their residual values over the expected useful economic lives of the assets concerned. The principal annual rates used are as follows:

Freehold land and buildings	-	40 years
Plant and equipment	-	up to 30 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

(iii) Subsequent additions and major components
Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life. Repairs, maintenance and minor inspection costs are expensed as incurred.

2. ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

(iv) Derecognition
Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in Statement of Comprehensive Income and included in 'Administrative expenses'.

Inventory
Inventory is valued at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined on the first-in, first-out (FIFO) method. Cost is calculated as the costs incurred in bringing the inventory to their present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the Statement of Comprehensive Income. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, in the Statement of Comprehensive Income.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Receivables
Short term receivables are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Payables
Short term payables are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Research and development
In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives.

If it is not possible to distinguish between the research phase and the development phase of an internal project. The expenditure is treated as if it were all incurred in the research phase only.

Operating lease agreements
Rental payments, where substantially all of the benefits and risks of ownership remain with the lessor, are charged on a straight line basis against operating profit over the life of the lease.

Rent free periods or other similar lease incentives are recognised on a straight line basis in the Statement of Comprehensive Income over the life of the lease.

2. ACCOUNTING POLICIES (continued)

Financial instruments
The Company has chosen to adopt Sections 11 and 12 of FRS 101 in respect of financial instruments.

(i) Financial assets
Basic financial assets, including trade and other receivables, cash and bank balances, amounts due from group undertakings and related parties and are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment.

If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities
Basic financial liabilities, including trade payables and short term loans, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires. The Company does not hold or issue derivative financial instruments.

(iii) Offsetting
Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iv) Derivatives
Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in administrative expenses. The Company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Foreign currency

(i) Functional and presentation currency
The Company's functional and presentation currency is the pound sterling.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

2. ACCOUNTING POLICIES (continued)

Foreign currency (continued)

(ii) Transactions and balances (continued)
At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Finance costs
Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Borrowing costs
All borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

Interest income
Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

Related party transactions
The Company discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Company financial statements.

Share capital
Ordinary and deferred shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares, deferred shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Current and deferred taxation
Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income and retained earnings, except to the extent that it relates to items recognised directly in equity. In this case tax is also recognised directly in equity.
Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax
Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

2. ACCOUNTING POLICIES (continued)

Pensions
The company operates a defined benefit pension scheme which has a defined contribution section.

For the defined benefit section the amount charged to operating profit is the current service cost and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown within finance costs and interest receivable. Actuarial gains and losses are recognised immediately in the Statement of Total Recognised Gains and Losses. The defined benefit section is closed to further accrual.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the company in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the Statement of Financial Position.

For the defined contribution section the amount charged to the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated, based on historical experience and other factors, including potential future events.

a) Critical judgements in applying the Group's accounting policies

The company has an obligation to pay pension benefits to certain employees under a defined benefit pension scheme. As reflected in note 19 this scheme is closed to future accrual. The cost of these benefits as well as the present value of the obligations are based on a number of factors, such as life expectancy, asset valuations, pension growth rate, rate of inflation and the discount rate of corporate and government bonds. These factors are estimated in determining the net pension obligations in the balance sheet based on available information from the company's pension advisors as well as the general investment markets.

A significant portion of the company's assets comprise of property, plant and equipment. The annual depreciation charge can be impacted by changes in the estimated useful lives of the assets. The assets residual values and useful lives are reviewed annually.

b) Key accounting estimates and assumptions

The company holds significant volumes of raw materials to meet customer annual contracts. It also holds finished goods stocks that are considered appropriate to supply customers. The company assesses the cost recoverability of its inventory through sales contracts with its customers, as well as the market place where the inventory is not covered by sales contracts. This assessment takes into account the quality parameters of the stock compared to the customer requirements and any provision made is based on whether it is lower of market value or cost unless the inventory is considered to be classified as feed material in which case it is valued at feed prices. See note 13 for Inventory carrying value.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (continued)

b) Key accounting estimates and assumptions (continued)

Trade receivables are reviewed on a regular basis for recoverability taking into account the payment history, the credit rating of the customer, the level of credit insurance applicable. Any provision required is then made. See note 14 for Trade receivable carrying value.

In arriving at accruals at the end of the financial period, estimates are made based on expected contract costs or estimates of costs based on supplier pricing lists. Individually there is not any particular category that has a significant impact. The accruals are reviewed by management independent of those preparing to ensure that the estimates are correct.

4. TURNOVER

Revenue represents the net value of goods invoiced to customers exclusive of value added tax and inclusive of export restitution where applicable. The company has restated the 2018 comparative figures to show the results of Saxon Agriculture Limited as a discontinued operation.

The revenue and profit before taxation are wholly attributable to the company's principal activity. The geographical analysis of the company's revenue by destination is as follows:-

	Continuing Operations 2019 £'000	**Discontinued Operations 2019 £'000**	**Total 2019 £'000**
UK & Republic of Ireland	**119,646**	**113,288**	**232,934**
Americas	**3,485**	**-**	**3,485**
Europe & Middle East	**249**	**13,175**	**13,424**
Asia Pacific	**8,141**	**-**	**8,141**
Others	**3,538**	**-**	**3,538**
	135,059	**126,463**	**261,522**

	Continuing Operations 2018 £'000	Discontinued Operations 2018 £'000	Total 2018 £'000
UK & Republic of Ireland	104,611	83,485	188,096
Americas	3,477	-	3,477
Europe & Middle East	229	13,429	13,658
Asia Pacific	6,764	42	6,806
Others	840	-	840
	115,921	96,956	212,877

5. EMPLOYEES INFORMATION AND DIRECTORS' REMUNERATION

	2019 £'000	2018 £'000
Staff costs during the year (including directors)		
Wages and salaries	**9,889**	10,174
Social security costs	**1,029**	989
Other pension costs (note 19)	**1,011**	935
	11,929	12,098
Director's remuneration (total)		
Emoluments	**323**	372
Director's remuneration (highest paid director)		
Emoluments	**323**	372

There is one director in the company's defined benefit pension scheme during the year (2018 - one). At the year-end, the accrued pension benefit of the highest paid director was £69,197 (2018: £67,496). At the year end the accrued pension benefit of the directors was £69,197 (2018: £67,496). During the year, contributions of £nil were made to money purchase pension schemes in respect of the directors.

	2019 Number	2018 Number
Monthly average number of persons employed		
Operational	**137**	138
Office and administration	**41**	42
Merchanting	**50**	47
	228	227

6. OPERATING PROFIT

	2019 £'000	Restated 2018 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible assets	**4,201**	4,097
Amortisation of software	**775**	755
Insurance proceeds	**(1,395)**	-
Profit on disposal of assets	**(172)**	-
Foreign exchange loss	**7**	17
Operating leases charges	**317**	256
Movement in fair value of financial instruments	**1,407**	(1,266)
Inventory recognised as an expense	**94,149**	78,937
Bad debt	**29**	9
Auditors' remuneration:		
Audit fees – Bairds Malt Limited	**140**	148
– Malt UK Holdco Limited	**3**	3
– Ulgrave Limited	**4**	4
– Maltco 3 Limited	**4**	4
– United Malt UK Limited	**4**	4
Total auditors' remuneration	**155**	163
Other income/(expense) includes:		
Dividend income from subsidiary undertaking	**15,942**	-
Investment in subsidiary written down to net asset value	**(15,942)**	-
Cancellation of long term loan from fellow group undertaking	**8,000**	-
Demerger costs	**(130)**	-
Other income	**7,870**	-

7. FINANCE INCOME

	2019 £'000	Restated 2018 £'000
Bank interest receivable	**111**	57

8. FINANCE COSTS

	2019 £'000	Restated 2018 £'000
Bank and loan interest	**1,892**	1,621
Net pension finance costs (note 19)	**76**	341
	1,968	1,962

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 30 September 2019

9. TAX ON PROFIT

	2019 £'000	Restated 2018 £'000
Current tax		
UK corporation tax charge for the year	-	335
Adjustments in respect of prior years	(37)	(1)
	(37)	334
Deferred tax		
Timing differences, origination and reversal	409	492
Adjustments in respect of prior years	8	1
	417	493
Tax charge on profit	380	827

	2019 £'000	Restated 2018 £'000
Tax charge on profit is attributable to:		
Profit from continuing operations	402	256
Loss/profit from discontinued operations	(22)	571
	380	827

The standard rate of tax for the financial year, based on the UK standard rate of corporation tax, is 19% (2018: 19%) for current tax and 17% for deferred tax (2018: 17%).

The actual tax charge for the current year and the previous year differs from the standard rate for the reasons set out in the following reconciliation:

	2019 £'000	Restated 2018 £'000
Profit from continuing operations before taxation	10,289	86
(Loss)/profit from discontinued operations before taxation	(39)	3,029
	10,250	3,115
Tax at the UK tax rate of 19.0% (2018: 19%)	1,948	592
Factors affecting charge for the year:		
Expenses not deductible	3,080	58
Fixed asset differences	261	253
Adjustments in respect of prior period	(29)	-
Defined Benefit Pension Scheme - short term timing differences	(919)	1,351
Deferred tax charged directly to equity	823	(1,209)
Transitional adjustment	(18)	(18)
Adjust deferred tax to average rate	49	(200)
Income not taxable	(4,815)	-
Total tax charge	380	827

10. INTANGIBLE ASSETS

	Software	Goodwill	Total
	£'000	£'000	£'000
Cost			
At 1 October 2018	5,815	9,102	14,917
Additions	27	-	27
Disposal	(376)	(50)	(426)
At 30 September 2019	**5,466**	**9,052**	**14,518**
Accumulated amortisation			
At 1 October 2018	3,932	9,052	12,984
Charge for the year	775	-	775
Disposals	(328)	-	(328)
At 30 September 2019	**4,379**	**9,052**	**13,431**
Net book value			
At 30 September 2019	**1,087**	-	**1,087**
At 30 September 2018	1,883	50	1,933

Goodwill arose on the acquisition of Campbell and Penty Limited on 16 August 2018. Goodwill was disposed of to Saxon Agriculture Limited on 27 September 2019.

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 October 2018	37,630	81,210	118,840
Additions	-	4,773	4,773
Disposals	(1)	(390)	(391)
At 30 September 2019	**37,629**	**85,593**	**123,222**
Accumulated depreciation			
At 1 October 2018	25,653	44,502	70,155
Charge for the year	1,247	2,954	4,201
Disposals	-	(262)	(262)
At 30 September 2019	**26,900**	**47,194**	**74,094**
Net book value			
At 30 September 2019	**10,729**	**38,399**	**49,128**
At 30 September 2018	11,977	36,708	48,685

Included within land and buildings is land with a value of £2,359,000 (2018: £2,359,000) which is not being depreciated. During the year land with a book value of £1 was disposed of yielding a profit on disposal of £172,000.

12. INVESTMENTS

	2019 £'000	2018 £'000
Cost and net book value:		
At 1 October	**15,942**	15,942
Written down during the year on receipt of dividend income	**(15,942)**	-
At 30 September	-	15,942

During the year, the investment in subsidiary, Moray Firth Maltings Limited, was written down to £1 on receipt of dividend income of £15,942,000 from the subsidiary.

The company's subsidiary undertakings are as follows:

Name of company	Country of registration and of operation	Principal activity	Holding	%
Mark Lawrence (Grain) Limited	England & Wales	Trading under agency	Ordinary	100%
Scotgrain Agriculture Limited	England & Wales	Trading under agency	Ordinary	100%
Bairds Malt (Pension Trustees) Ltd	England & Wales	Non-trading	Ordinary	100%
Moray Firth Maltings Limited	England & Wales	Non-trading	Ordinary	100%
Brewers Select Limited	England & Wales	Trading under agency	Ordinary	100%
Norton Organic Grain Limited	England & Wales	Non-trading	Ordinary	100%

Certain of the subsidiaries, as detailed above, are trading as agents under an agency agreement with Bairds Malt Limited. The registered address of these subsidiaries is; Station Maltings, Witham, Essex, CM8 2DU.

On the 30 July 2019 the company disposed of its shareholding in Saxon Agriculture Limited, a dormant entity, to a fellow GrainCorp Limited subsidiary for £1. On the 27th September 2019 the company sold the business and trading net assets of its merchanting division called Saxon Agriculture to a fellow GrainCorp Limited subsidiary, Saxon Agriculture Limited for net asset value of £18,104,000. The net assets and proceeds are as follows:

	£'000
Intangible assets – goodwill	50
Intangible assets – software	48
Tangible assets – plant and equipment	92
Inventory	12,442
Trade receivables	12,162
Prepayments and accrued income	1,192
Cash	1,183
Assets	27,169
Liabilities assumed:	
Trade payables	(4,473)
Accruals and deferred income	(4,592)
Net assets disposed of	18,104
Proceeds:	
Received on 27th September 2019	16,000
Received on 31st January 2020	2,104
	18,104

12. INVESTMENTS (CONTINUED)

The financial performance presented below for the division sold is for the period to 27th September 2019 and the full year to 30 September 2018:

	2019 £'000	2018 £'000
Turnover	**126,463**	96,956
Cost of sales	**(122,392)**	(92,098)
Gross profit	**4,071**	4,858
Administrative expenses	**(4,105)**	(1,827)
Operating (loss)/profit	**(34)**	3,031
Finance costs	**(5)**	(2)
(Loss)/profit before taxation	**(39)**	3,029
Tax on (loss)/profit	**22**	(571)
(Loss)/profit after taxation	**(17)**	2,458

13. INVENTORIES

	2019 £'000	2018 £'000
Barley	**38,025**	49,441
Consumables	**1,915**	1,707
Work in progress	**974**	770
Finished goods	**14,173**	25,085
	55,087	77,003

The replacement cost of inventories is not considered to be materially different to the value shown in the financial statements. Barley inventory to the value of £34,289,000 (2018: £48,211,000) is security against short term financing facility.

14. TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
Trade receivables	**18,188**	22,108
Amounts owed by group undertakings	**14,004**	14,927
VAT receivable	**801**	658
Corporation tax	**80**	-
Prepayments and accrued income	**19**	5,484
Derivative financial instruments (note 22)	**283**	3,165
	33,375	46,342

Amounts owed by group undertakings are unsecured, interest free and repayable on demand. Included is £2,104,000 due on the sale of Saxon Agriculture division which was paid in January 2020.

15. TRADE AND OTHER PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Trade payables	**20,217**	40,639
Amounts owed to group undertakings	**2,902**	6,051
Corporation tax payable	**-**	289
Group relief payable	**927**	927
Short term loan (note 13)	**34,289**	48,211
Other taxation and social security	**307**	298
Accruals and deferred income	**12,427**	9,942
Derivative financial instruments (note 22)	**5**	287
	71,074	106,644

Amounts due to group undertakings are unsecured, interest free and repayable on demand. The short term loan (see note 13) is repayable on demand and bears the interest at commercial rates linked to LIBOR.

16. TRADE AND OTHER PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £'000	2018 £'000
Amounts owed to group undertakings	**2,013**	41,955

On 27th September 2019, amounts due to Moray Firth Maltings Limited of £15,942,000 were fully repaid. On 27th September 2019, an interim payment of £16,000,000 was paid to GrainCorp Operations Limited and £8,000,000 was cancelled by GrainCorp Operations Limited, the remaining balance was repaid in a single instalment on 31 January 2020. The loan from GrainCorp Operations Limited bore interest at commercial rates.

Loans under term funding facilities are secured by a negative pledge and these facilities provide the related entities in the Group that are party to the pledge the flexibility in funding their respective liquidity requirements as required. The facilities imposes certain covenants on the Group and the pledge states that (subject to certain exceptions) the subject entity will not provide any other security over its assets, and will ensure that certain financial ratios and limits are maintained at all times, including: interest cover, gearing ratio and net tangible assets. All such borrowing covenant ratios and limits have been complied with during the financial year.

17. DEFERRED TAXATION

	£'000
At 1 October 2018 - Liability	**2,837**
Credit to the Statement of Comprehensive Income	(406)
At 30 September 2019 - Liability	**2,431**

As a result of the change in the UK main corporation tax rate the relevant deferred tax balances have been calculated using a deferred tax rate of 17% as at 30 September 2019.

Deferred taxation

	2019 £'000	2018 £'000
Provision for deferred taxation consists of the following amounts:		
Deferred tax on pension deficit	**(1,037)**	(610)
Capital allowances in excess of depreciation	**3,532**	3,487
Other	**57**	(40)
Losses	**(121)**	-
Liability	**2,431**	2,837

18. CALLED UP SHARE CAPITAL

	2019 £'000	2018 £'000
Allotted and fully paid		
8,939,802 (2018: 8,939,802)A Ordinary shares of £1 each	**8,940**	8,940
5,959,869 (2018: 5,959,869) B Ordinary shares of £1 each	**5,960**	5,960
60 (2018: 60) Deferred shares of £1 each	-	-
	14,900	14,900

The A and B Ordinary shares rank pari passu in all respects.

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 year, which is paid annually subject to the availability of distributable profits. No dividend was paid in the year (2018: £nil).

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 to the ordinary shareholders of an additional £10,000,000 per ordinary share in issue.

19. PENSION DEFICIT

Defined contribution scheme
The company operates defined contribution retirement benefit schemes for all its qualifying employees. The assets of the schemes are held separately from those of the company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the company are reduced by the amount of forfeited contributions.

The total cost charged to income of £1,011,000 (2018: £935,000) represents contributions payable to these schemes by the group at rates specified in the rules of the plans. As at 30 September 2019, contributions of £nil (2018: £nil) due in respect of the current reporting year had not been paid over to the schemes.

Defined benefit scheme
The company operates and contributes to the Bairds Malt Pension Scheme ("the Scheme"), a funded defined benefit pension scheme for certain employees. The scheme closed to future benefit accrual on 5 April 2010, resulting in a curtailment gain as members' benefits will no longer be linked to future salary increases.

The assets of the Scheme are held in trust administered funds which are separate from the finances of the group. The Scheme is subject to triennial valuation by independent actuaries, the last valuation being carried out as at 5 April 2018 using the projected unit method in which the actuarial liability makes allowances for projected earnings.

This does not take into account any impact of the fall in general stock market values since that date. Any such impact will be reflected in the next triennial valuation as at 5 April 2021.

The full actuarial valuation at 1 April 2018 was updated to 30 September 2019 by a qualified actuary, using the following assumptions in relation to future experience:

	2019	2018	2017
Discount rate	**1.8%**	2.9%	2.7%
Rate of increase in deferred pensions	**3.1%**	3.3%	3.2%
Rate of increase in limited inflation-linked pensions in payment	**3.0%**	3.1%	3.2%
Inflation assumption	**3.1%**	3.3%	3.2%

Mortality assumptions:
Investigations have been carried out within the past three years into the mortality experience of the company's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	Valuation at	
	2019 (years)	2018 (years)
Retiring today:		
Males	**23.0**	23.0
Females	**25.0**	24.9
Retiring in 20 years:		
Males	**24.8**	24.7
Females	**26.9**	26.8

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

19. PENSION DEFICIT (continued)

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 0.25%	Decrease by £3.3m
Rate of inflation	Increase by 0.25%	Increase by £1.7m
Life expectancy	Increase by 1 year	Increase by £3.3m

Amounts recognised in the Statement of Comprehensive Income in respect of these defined benefit schemes are as follows:-

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Charged to finance costs:-		
Expected return on pension scheme assets	**1,868**	1,772
Interest on the scheme's liabilities	**(1,944)**	(2,113)
Net finance cost	**(76)**	(341)

	2019 £'000	2018 £'000
Recognised in the Statement of Comprehensive Income:-		
Actual return less expected return on pension scheme assets	**9,477**	(822)
Experience loss arising on the scheme liabilities	**(14,316)**	7,935
Actuarial gain recognised in the Statement of other Comprehensive Income	**(4,839)**	7,113

The amount included in the balance sheet arising from the company's obligations in respect of its defined benefit retirement benefit schemes is as follows:-

	2019 £'000	2018 £'000
Present value of defined benefit obligations	**(81,472)**	(69,050)
Fair value of scheme assets	**75,375**	64,793
Deficit in the scheme	**(6,097)**	(4,257)

19. PENSION DEFICIT (continued)

Movements in the present value of defined benefit obligations were as follows:

	2019 £'000	2018 £'000
Opening balance	**69,050**	81,633
Interest cost	**1,944**	2,113
Actuarial loss/(gain)	**14,316**	(7,935)
Benefits paid	**(4,042)**	(6,761)
Past service cost	**204**	-
Closing balance	**81,472**	69,050

Movements in the fair value of scheme assets were as follows:

	2019 £000	2018 £000
Opening balance	**64,793**	67,384
Expected return on scheme assets	**1,868**	1,772
Actuarial loss/(gain)	**9,477**	(822)
Contributions from the company	**3,279**	3,220
Benefits paid	**(4,042)**	(6,761)
Closing balance	**75,375**	64,793

The estimated amounts of contributions expected to be paid by the company to the scheme during 2020 is £2,029,000 (2019: £2,847,000).

The scheme has not invested in any securities issued by the GrainCorp Group or any assets used by the GrainCorp Group.

The cumulative amount of actuarial losses taken to the Statement of Comprehensive Income is £18,310,000 (2018: £13,471,000).

19. PENSION DEFICIT (continued)

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows:-

	2019	2018
	Fair value £'000	Fair value £'000
Equities	11,610	10,953
Bonds	31,483	26,945
Gilts	25,390	19,263
Property	1,853	1,275
Liquid alternative strategies	4,580	5,931
Cash	459	426
Total market value of assets	75,375	64,793
Present value of scheme liabilities	(81,472)	(69,050)
Deficit in scheme	(6,097)	(4,257)

20. OTHER COMMITMENTS

The company had commitments related to derivative financial instruments with regards to forward foreign currency and wheat futures, as detailed in the table below. Contracts are entered into to reduce the foreign currency risk on future contracted foreign sales and purchases and the exposure to changes in the future wheat market prices.

	30 September 2019		30 September 2018	
	Notional amounts £'000	Fair value £'000	Notional amounts £'000	Fair value £'000
Foreign currency forwards	9,463	199	67,104	241
Grain futures contracts	13,172	90	70,092	(476)
		289		(235)

At 30 September, the company had commitments under non-cancellable operating leases as follows:

	30 September 2019		30 September 2018	
	Land & buildings £'000	Other £'000	Land & buildings £'000	Other £'000
Operating leases which expire:				
Within 1 year	242	-	291	-
In two to five years	657	-	1,014	-
After 5 years	737	-	1,433	-
	1,636	-	2,738	-

21. CAPITAL COMMITMENTS

	2019 £'000	2018 £'000
Contracted but not provided for	**4,095**	71

22. FINANCIAL INSTRUMENTS

The company enters into grain futures contracts and forward exchange contracts. There are also embedded contracts where the currency of the contract is not the home currency of either of the contracting parties. In addition the company performs a fair value exercise on its merchanting physical grain trading contract book. The movement in fair value from the previous balance sheet date in included in Administrative expenses in the Statement of Comprehensive Income. The net amount included in the Statement of Comprehensive Income for the year was a gain of £59,000 (2018: £1,266,000).

At 30 September the fair value of financial instruments were as follows:

	2019 £'000	2018 £'000
Derivative Assets:		
Grain futures contracts	**84**	240
Physical grain contracts	-	2,649
Embedded foreign currency contracts	-	7
Foreign currency forward currency contracts	**199**	269
Total derivative assets	**283**	3,165
Derivative Liabilities:		
Grain future contract	-	259
Foreign currency forward currency contracts	**5**	28
Total derivative liabilities	**5**	287
Net derivative asset	**278**	2,878

Grain futures contracts are valued at closing spot prices on the LIFFE and MATIF markets. Physical contracts are valued at closing futures prices, or an estimation of market value (based on quoted prices from recognised traders in the related grains associated with the physical contracts or from grain publications which provide a price based market surveys), where there is no forward market. Foreign currency forward contracts are valued using forward currency rates at the time of valuation as confirmed by the company's bank. Embedded contracts are valued using foreign currency exchange rates at the inception of the contract, and at the end of the financial year.

The contracted value of grain futures contracts and foreign currency forward contracts are disclosed in note 20.

Financial instruments which are measured subsequent to initial recognition at fair value are grouped, based on the degree to which the fair value is observable, into Level 1 - 3 as defined below.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. For the company these are the foreign currency forward contracts and the grain futures contracts;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For the company these are the embedded foreign currency contracts and the physical grain contracts; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

23. RELATED PARTY TRANSACTIONS

The Company is also exempt under the terms of Financial Reporting Standard 101 (FRS 101), from disclosing related party transactions with other group companies, on the grounds that 100% of the voting rights in the company are controlled within the group and the company is included in consolidated financial statements prepared by the Group.

24. POST BALANCE SHEET EVENTS

There were no significant post balance sheet events that require disclosure or adjustment. The impact of Covid-19 on the company is covered in the Strategic Report.

25. IMMEDIATE AND ULTIMATE PARENT UNDERTAKINGS

The immediate parent company United Malt Limited (previously called Graincorp UK Limited), a company incorporated in England & Wales. The entire share capital of Graincorp UK Limited was ultimately owned by GrainCorp Limited until 23rd March 2020, which in the directors' opinion is the ultimate controlling parent undertaking. Since the 23rd March 2020 when United Malt Group Limited demerged from GrainCorp Limited, the ultimate parent company and controlling parent undertaking became United Malt Limited

Copies of the financial statements of United Malt Limited can be obtained from the Registrar of Companies, Crown Way, Cardiff.

The smallest and largest group in which the results of the company are consolidated for this financial year is that headed by GrainCorp Limited, a company listed on the Australian stock exchange. The consolidated financial statements of GrainCorp Limited can be obtained from Level 28, 175 Liverpool Street, Sydney, NSW, Australia.