

**Pauls Malt Limited**  
**Annual report**  
**for the year ended 29 September 2006**

**Registered Number 88929**



# **Pauls Malt Limited**

## **Annual report for the year ended 29 September 2006**

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# **Pauls Malt Limited**

## **Directors and advisers at 29 September 2006**

### **Directors**

P F Coveney

D J Dilger

A M Hynes

M J McCarthy (resigned 2 June 2006)

J McNamara (resigned 31 December 2005)

P Murphy (appointed 31 December 2005)

A J Pryke (Company Secretary)

D R Wilkes

### **Registered Office**

24/25 Eastern Way

Bury St Edmunds

Suffolk

IP32 7AD

### **Auditors**

PricewaterhouseCoopers LLP

Abacus House

Castle Park

Cambridge

CB3 0AN

# Pauls Malt Limited

## Directors' report for the year ended 29 September 2006

The directors present their report and the audited financial statements for the year ended 29 September 2006

### Principal activities

The principal activities of the company are the manufacture and sale of malt to the UK and overseas markets and the provision of barley sourcing and storage services

### Review of business and future developments

The malt market remained tough and competitive however sales margins were improved due to the move from the low margin end of export sales to comparatively better margin domestic sales. Energy prices had a major impact on the business as it was not possible to pass on the cost increase to customers due to some sales being made prior to the upsurge in energy prices and also the competitive malt market would not bear a price increase. The cost base of the company has been reduced by lowering employee numbers to reflect the changes in the size of the business and the markets and customers serviced

The company operated at almost full production for the year. However, as already mentioned, costs were adversely affected by rising gas and electricity prices

The company pension scheme has a deficit arising partly from a review of actuarial assumptions. To reduce the funding deficit the company is paying a special contribution over 15 years of £489,600 per year. The first payment was made in the year ended 29 September 2006

As previously reported the company will continue to focus on maintaining and improving its reputation for quality, competitiveness and giving value to its customers through continuous improvement in all areas of the business, to ensure that it is the supplier of choice for brewers and distillers worldwide

The combination of a better balance between supply and demand, a poor barley harvest across Europe affecting malt prices and more stable energy prices has led to a recovery during the latter half of 2006 that should continue to deliver a considerable trading improvement in 2007

### Principal risks and uncertainties

Risks and mitigating controls are managed and reviewed by the Senior Management Team on a regular basis. Also, being part of a larger group (Greencore Group plc), these are also subject to review by the Group's health and safety, technical compliance and operational/financial audit programmes

The company faces a number of risks and uncertainties that can be summarised into four categories, as follows

#### Commercial

- The loss of a manufacturing site through fire, natural catastrophe, act of vandalism or critical plant failure could potentially have a material impact

These risks are mitigated through robust security and comprehensive disaster recovery plans. In addition external insurance and risk management experts review all sites and discuss findings with senior management

- A shortage of raw material supply could result in increased costs and loss of production

Commercial team monitors exposures weekly and the Senior Management Team review on a monthly basis

- The loss of a key customer could have an adverse effect on profitability

Customer contracts are managed at a senior level and reviewed by the Senior Management Team on a regular basis

- Fluctuating energy prices can have a significant impact on profitability

There is a strong commercial focus on purchasing energy and diversifying the risk

## Pauls Malt Limited

### Operational

- As part of the Food and Drink industry the company is subject to market related risks associated with food products

The company has a strong technical function for product quality and traceability. There are systems in place for hygiene, health and safety and environmental controls. The systems are reviewed regularly by the Senior Management Team who also review customer audits.

### Financial

- Through the Group's treasury function, the company uses forward exchange contracts to hedge exchange exposures arising from forecast receipts and purchases in foreign currencies

The company policy is for all sales and purchase contracts to be hedged at the time the contract is made and therefore avoid the risk of speculation.

- The company's defined benefit pension fund is exposed to the risk of changes in interest rates and the market values of investments as well as inflation and the increasing longevity of scheme members

The risk is mitigated by paying appropriate contributions into the fund and through a balanced investment strategy to avoid a material worsening of the current deficit. The defined benefit scheme is closed to new members.

### Systems

- A significant IT failure could adversely impact on the business

Robust IT disaster recovery plans and system backup processes are in place.

### Key Performance Indicators (KPI)

The company considers as part of its management accounting process the following measures to be indicators of the underlying performance of the business:

- Operational efficiency is key to the business succeeding and two measures of this are tonnes of malt produced per employee and capacity utilisation. Malt produced per employee was 2,626 tonnes in 2006 (2005 – 2,483) and capacity utilisation was 97% in 2006 (2005 – 100%).
- Proportion of sales to the domestic market is a key measurement as it is part of the company's strategy to focus on the domestic market and have less exposure to the more volatile export markets. The proportion of sales to the UK domestic market in 2006 was 64% (2005 – 54%).
- Free cash flow is an important indicator of the company's performance in maximising cash generation. The net cash flow from operations in 2006 was £4,988m (2005 - £5,814m).
- Return on investment is measured on the company's operating profit, excluding property sales, on the average total of shareholders funds invested in the business. The return in 2006 was (9.5%) (2005 - 6.8%).

# Pauls Malt Limited

## Financial risk management

The company is exposed to a variety of financial risks including interest rate, foreign currency, liquidity and credit risk. These financial risks are managed under policies approved by the ultimate holding company. The company uses forward currency contracts to manage the financial risk associated with selling and buying in currencies other than Sterling. The company does not use derivative financial instruments for trading or speculative purposes.

### Interest rate risk

Funding is provided by the ultimate holding company that has policies in place to optimise the interest cost and reduce volatility in reported earnings. This is managed by reviewing the debt profile regularly and by selectively using interest rate swaps to limit the level of floating interest rate exposure.

### Foreign currency risk

The company trades internationally and uses forward exchange contracts to hedge exchange exposures arising from forecast receipts and payments in foreign currencies.

### Liquidity risk

Funding is provided by the ultimate holding company that has a policy to ensure that there is always sufficient long term and committed bank facilities in place to meet foreseeable peak borrowing requirements. There is also a prudent approach to liquidity risk management by spreading the maturities of debt from short-term to long-term.

### Credit risk

The company derives a significant proportion of its revenue from sales to a limited number of major customers. Sales to individual customers can be of significant value and the failure of any such customer to honour its debts could materially impact on the company's results. The company manages the risk by regularly reviewing the credit history and rating of all significant customers.

## Dividends

The company paid no interim dividend in the year (2005 £nil). The directors do not recommend the payment of a final dividend (2005 £nil).

## Directors

The directors, all of whom were in office throughout the year other than as noted, were

P F Coveney

D J Dilger

A M Hynes

M J McCarthy (resigned 2 June 2006)

J McNamara (resigned 31 December 2005)

P Murphy (appointed 31 December 2005)

A J Pryke (Company Secretary)

D R Wilkes

## Political and charitable donations

The company made no charitable donations in the year (2005 £nil). The company made no political donations in the year (2005 £nil).

# **Pauls Malt Limited**

## **Statement of directors' responsibilities in respect of the Annual Report and the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, 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, 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 confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that 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 1985. They 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

## **Disclosure of information to auditors**

So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware. Each director has taken all steps that he or she ought to have taken in his or her duty as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

## **Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting

**By order of the Board**



**A J Pryke**  
**Company Secretary**

# Pauls Malt Limited

## Independent auditors' report to the members of Pauls Malt Limited

We have audited the financial statements of Pauls Malt Limited for the year ended 29 September 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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 report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 29 September 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Cambridge

27 July 2007



# Pauls Malt Limited

## Profit and loss account for the year ended 29 September 2006

	Note	2006 £'000	2006 £'000	Restated(*) 2005 £'000	Restated(*) 2005 £'000
<b>Turnover</b>	2		<b>64,140</b>		67,559
Cost of sales					
- non-exceptional		(57,902)		(57,263)	
- exceptional	5	<u>(608)</u>		<u>(3,520)</u>	
			<b>(58,510)</b>		(60,783)
<b>Gross profit</b>			<b>5,630</b>		6,776
Distribution costs			<b>(5,066)</b>		(6 156)
Administrative expenses			<b>(2,800)</b>		(3,001)
<b>Operating (loss)</b>			<b>(2,236)</b>		(2,381)
Profit on sale of fixed assets	17		<b>2,282</b>		1,347
Exceptional items – closure costs	5		<b>(280)</b>		-
Interest receivable and similar income	6		<b>3,091</b>		3,110
Interest payable and similar charges	7		<b>(570)</b>		(969)
Other finance (expense)/income	18		<b>(35)</b>		34
<b>Profit on ordinary activities before taxation</b>	8		<b>2,252</b>		1,141
Taxation	9		<b>1,154</b>		28
<b>Result for the financial year</b>	20, 21		<b>3,406</b>		1,169

All amounts above relate to continuing operations

(\*) See note 1 for details of restatement

# Pauls Malt Limited

## Statement of total recognised gains and losses for the year ended 29 September 2006

		2006 £'000	Restated(*) 2005 £'000
	Note		
<b>Result for the financial year</b>		<b>3,406</b>	1,169
Actuarial gain/(loss) on pension scheme	18	<b>1,179</b>	(2,790)
Movement on deferred tax relating to pension liability	17	<b>(353)</b>	825
<b>Total recognised gains and losses relating to the year</b>		<b>4,232</b>	(796)
<b>Prior year adjustment - FRS 17</b>	1, 21	<b>(4,422)</b>	
<b>Total loss recognised since last annual report</b>		<b>(190)</b>	

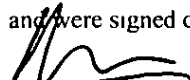
(\*) See note 1 for details of restatement

# Pauls Malt Limited

## Balance sheet as at 29 September 2006

	Note	2006 £'000	Restated(*) 2005 £'000
<b>Fixed assets</b>			
Tangible assets	10	32,563	34,771
Investments	11	-	-
		<b>32,563</b>	<b>34,771</b>
<b>Current assets</b>			
Stocks	12	4,436	4,856
Debtors amounts falling due after more than one year	13	-	400
Debtors amounts falling due within one year	14	49,295	45,395
Cash at bank and in hand		608	1,591
		<b>54,339</b>	<b>52,242</b>
<b>Creditors: amounts falling due within one year</b>	15	<b>(28,271)</b>	<b>(28,647)</b>
<b>Net current assets</b>		<b>26,068</b>	<b>23,595</b>
<b>Total assets less current liabilities</b>		<b>58,631</b>	<b>58,366</b>
<b>Creditors: amounts falling due after more than one year</b>	16	<b>(28,814)</b>	<b>(31,350)</b>
<b>Provisions for liabilities and charges</b>			
Deferred tax	17	(4,982)	(5,476)
Other provisions	17	(225)	(104)
<b>Net assets excluding pension liability</b>		<b>24,610</b>	<b>21,436</b>
<b>Net pension liability</b>	18	<b>(3,364)</b>	<b>(4,422)</b>
<b>Net assets including pension liability</b>		<b>21,246</b>	<b>17,014</b>
<b>Capital and reserves</b>			
Called up share capital	19	1,081	1,081
Share premium account	20	988	988
Profit and loss account	20	19,177	14,945
<b>Total shareholders' funds</b>	21	<b>21,246</b>	<b>17,014</b>

The financial statements on pages 7 to 26 were approved by the board of directors on 24<sup>th</sup> July 2007 and were signed on its behalf by

 DAVID WILKES

Director

(\*) See note 1 for details of restatement

# Pauls Malt Limited

## Notes to the financial statements for the year ended 29 September 2006

### 1 Principal accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies which have been applied consistently other than as explained and reviewed by the directors under Financial Reporting Standard ("FRS") 18 "Accounting policies", is set out below.

#### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention. They cover the year ended 29 September 2006. The comparative figures are for the year ended 30 September 2005.

#### Changes in accounting policies

The company has adopted FRS 17 "Retirement benefits", FRS 21 "Events after balance sheet date", the presentation requirements of FRS 25 "Financial Instruments: disclosure and presentation" and FRS 28 "Corresponding amounts". The adoption of these standards represents a change in accounting policy. There was no effect of adopting FRS 21, FRS 25 and FRS 28 on the current year or comparative figures.

The effect of the change in accounting policy to adopt FRS 17 was to reduce staff costs by £367,000 (2005 increase by £158,000), increase other finance expense by £35,000 (2005 increase finance income by £34,000), increase the tax charge for the year by £100,000 (2005 reduce by £35,000), to increase profit for the year by £232,000 (2005 decrease by £43,000) and to increase the total recognised gains and losses by £826,000 (2005 decrease by £1,965,000).

#### Cash flow statement

The company is a wholly owned subsidiary of Greencore UK Holdings plc and is included in the consolidated financial statements of the ultimate parent company, Greencore Group plc, which are publicly available (see note 26). Consequently, the company has taken advantage of the exemption from preparing a cash flow statement available under the terms of FRS 1 "Cash flow statements".

#### Fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Fixed assets are depreciated on a straight line basis over periods not exceeding their useful lives from the date they become operational, principally as follows:

Buildings	2% per annum on cost
Motor vehicles	25% per annum on cost
Plant	3.33%-25% per annum on cost

Freehold land and assets under construction are not depreciated. The company does not capitalise finance costs.

#### Assets held under sale and finance leaseback agreements

Assets held under sale and finance leaseback agreements, in which the commercial substance of the underlying agreement is considered to be a secured loan, and that confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and depreciated over their useful economic lives. The capital element of the leasing commitment is recorded as a liability and is shown as obligations under finance leases. The lease rental payments are treated as consisting of both a capital and an interest element. The capital element is applied to reduce the outstanding obligations under the leasing commitments and the interest element is charged on a reducing balance basis to the profit and loss account over the period of the agreement.

#### Operating leases

Rental costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

# Pauls Malt Limited

## Investments

Investments are recorded at cost, which is reviewed on a regular basis and provision made for any impairment in value

## Turnover

Turnover is recognised when the responsibility for goods passes to the customer, taking into account the applicable contract and shipping terms, or when services have been rendered

## Stocks

Stocks are stated at cost or net realisable value, whichever is the lower. Cost, in the case of processed goods, includes direct and overhead expenses attributable to production

The company acts as a disclosed purchasing agent on behalf of Utexam Logistics Limited, a company that operates in the commodity supply industry. Pauls Malt Limited recognises raw material costs and the related liabilities in its accounts when the title to the raw materials passes to it from Utexam Logistics Limited

## Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

## Foreign currencies and financial instruments

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Assets and liabilities are translated into sterling at the rates of exchange ruling at the relevant balance sheet date or, where appropriate, the forward contract rate (the company uses forward contracts to hedge its foreign exchange exposure in respect of foreign customers), any exchange differences arising thereon are included in the profit and loss account. Legal responsibility for the forward contracts lies with Greencore Group plc, the company's ultimate holding company, who arrange the contracts on the company's behalf

## Pension scheme arrangements

Under FRS 17, the amount charged to operating profit in the profit and loss account in respect of pension costs is the current service cost (net of employee contributions) of providing benefits accrued in the period as calculated by the Scheme's actuary. In addition, the profit and loss account includes a charge for finance costs in respect of the unwinding of the discount applied to the scheme's liabilities. Actuarial gains and losses are included in the statement of total recognised gains and losses. The pension fund balances are shown net of deferred tax, in accordance with FRS 17

# Pauls Malt Limited

## 2 Turnover

Turnover, which all originates in the United Kingdom, represents net sales to customers excluding value added tax

An analysis of turnover by geographical destination is given below

	<b>2006</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>
United Kingdom and Ireland	<b>41,328</b>	36,231
Other EU countries	<b>369</b>	1,792
Africa	<b>4,748</b>	7,671
Asia	<b>14,656</b>	16,782
South America	<b>191</b>	961
Rest of the World	<b>2,848</b>	4,122
	<b>64,140</b>	67,559

## 3 Directors' emoluments

The remuneration received by the directors in respect of their services to the company was as follows

	<b>2006</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>
Aggregate emoluments	<b>262</b>	279

Two directors (2005 two) are accruing benefits under a defined benefit pension scheme

The aggregate emoluments of the highest paid director were £165,502 (2005 £179,776) The accrued pension entitlement of this director as at 29 September 2006 was £90,860 (2005 £68,068)

# Pauls Malt Limited

## 4 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was

	2006 Number	2005 Number
Sales and administration	41	45
Production	78	84
	119	129

	2006 £'000	Restated 2005 £'000
<b>Staff costs (for the above persons)</b>		
Wages and salaries	3,376	3,473
Social security costs	365	385
Pension costs	492	555
	4,233	4,413

## 5 Exceptional items

	2006 £'000	2005 £ 000
Charge for settlement relating to malt export refunds received in prior years (see below)	-	3,520
Closure costs (see also note 17)		
- operating losses on contracts during the year	608	-
- non-operating redundancy and other closure costs	280	-
	888	3,520

Following the settlement during 2005 financial year by the Greencore group of the dispute with DEFRA (formerly IBAP) relating to the repayment of malt exports refunds originally received by Pauls Malt Limited, the group made the decision to pass the costs associated with the settlement through to the company

## 6 Interest receivable and similar income

	2006 £'000	2005 £'000
On amounts due from group undertakings	3,031	3,073
Bank and similar interest receivable	60	37
	3,091	3,110

# Pauls Malt Limited

## 7 Interest payable and similar charges

	2006 £'000	2005 £'000
On bank loans and overdrafts	65	95
On obligations under finance leases due to group undertakings	487	658
Other interest	18	216
	<b>570</b>	<b>969</b>

## 8 Profit on ordinary activities before taxation

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation is stated after charging		
Depreciation		
- owned tangible fixed assets	1,331	1,265
- tangible fixed assets held under finance leases	1,161	1,229
Fees payable to the Company's auditor for the audit of the Company's financial statements	26	27
Fees payable in respect of the Company's pension scheme	7	5
Operating lease rentals		
- plant and machinery	21	23
- motor vehicles	73	87



# Pauls Malt Limited

## 9 Tax on profit on ordinary activities

	2006 £'000	Restated 2005 £'000
United Kingdom corporation tax at 30% (2005 30%)		
<b>Consideration payable for group relief claimed</b>		
Current year credit	(352)	(134)
Adjustments in respect of prior years	(408)	(175)
	(760)	(309)
<b>Deferred taxation</b>		
Current year charge	189	29
Prior year (over)/under provision	(683)	287
Deferred tax on pension deficit	100	(35)
	(394)	281
	(1,154)	(28)

The table below reconciles the UK corporation tax charge in each year to the amount obtained by computing the current tax charge as a percentage of profit before tax

	2006 £'000	Restated 2005 £'000
Profit before taxation	2,252	1,141
Tax at 30% (2005 30%)	676	342
Capital allowances in excess of depreciation	(170)	79
Non-chargeable income (net of non-deductible expenses)	(68)	(436)
Difference between accounting profit and chargeable gain	(771)	-
Short term timing differences	(19)	(119)
Adjustment in respect of previous periods	(408)	(175)
<b>Tax (credit) for the current year</b>	<b>(760)</b>	<b>(309)</b>

Tax has not been provided on capital gains on the disposal of fixed assets, on the basis that companies within the Greencore group will reinvest the sales proceeds. The tax not accounted for would be 30% of the capital gain arising of £1,877,035, before allowing for indexation. Tax has been accounted for at the rate of 30% on the other exceptional items during the year – see note 5. The 2007 Budget introduced a number of changes to the corporation tax regime in the UK which will affect the company's current and deferred tax positions when they are enacted. The impact of these changes has not yet been assessed fully but the company's deferred tax balances are likely to be affected by the fall in the corporation tax rate from 30% to 28% and by the changes to the rules on capital allowances.

# Pauls Malt Limited

## 10 Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Construction in progress £'000	Total £'000
<b>Cost</b>				
At 30 September 2005	7,324	79,168	5	86,497
Additions	6	932	85	1,023
Transfers	-	5	(5)	-
Disposals	(809)	(1,775)	-	(2,584)
<b>At 29 September 2006</b>	<b>6,521</b>	<b>78,330</b>	<b>85</b>	<b>84,936</b>
<b>Depreciation</b>				
At 30 September 2005	1,676	50,050	-	51,726
Charge for the year	113	2,379	-	2,492
Disposals	(233)	(1,612)	-	(1,845)
<b>At 29 September 2006</b>	<b>1,556</b>	<b>50,817</b>	<b>-</b>	<b>52,373</b>
<b>Net book amount</b>				
<b>At 29 September 2006</b>	<b>4,965</b>	<b>27,513</b>	<b>85</b>	<b>32,563</b>
At 30 September 2005	5,648	29,118	5	34,771

On 28 November 2003 the company sold to Greencore Finance Ltd (a wholly owned subsidiary of Greencore Group plc) selected owned assets, and leased them back as of the same date under 3 and 5 year terms. Assets held under sale and leaseback arrangements and capitalised in plant and machinery are as follows:

	2006 £'000	2005 £'000
Cost	21,415	21,415
Accumulated depreciation	(12,417)	(11,256)
Net book value	8,998	10,159

# Pauls Malt Limited

## 11 Investments

	2006 £'000	2005 £'000
<b>Cost</b>		
At 30 September 2005	60	138
Disposals	-	(78)
<b>At 29 September 2006</b>	<b>60</b>	<b>60</b>
<b>Provision</b>		
At 30 September 2005 and 29 September 2006	(60)	(60)
<b>Net book value</b>		
<b>At 29 September 2006</b>	<b>-</b>	<b>-</b>
At 30 September 2005	-	78

The company sold its 25% shareholding in The Grain Terminal (Ipswich) Ltd to Nidera PLC on 1 July 2005

The company's investments are

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal values of shares held by the company %
Multimalt Limited	Nigeria	Ordinary 1 Naira shares	20

The principal activity of Multimalt Limited is the handling of cereals and other agricultural products for export and import

The company's investment in Multimalt Limited is provided against in full

The result for Multimalt Limited's most recent available year end, and the net assets of the company at that date is shown below

The company would be exempt under s228 of the Companies Act 1985 from preparing consolidated financial statements if it had subsidiaries. The equity accounting disclosures of FRS 9 "Associates and joint ventures" have therefore not been presented for the company's investments

Audited	Multimalt Limited 31 December 2005 £'000
Profit for year	29
Net assets	475

## Pauls Malt Limited

### 12 Stocks

	2006 £'000	2005 £'000
Raw materials and consumables	793	679
Work in progress	962	710
Finished goods	2,681	3,467
	4,436	4,856

Included within raw materials and consumables are maintenance stocks of £561,000 (2005 £557,000)

### 13 Debtors: amounts falling due after more than one year

	2006 £'000	2005 £'000
Other debtors	-	400

### 14 Debtors: amounts falling due within one year

	2006 £'000	2005 £'000
Trade debtors	6,718	6,233
Amounts owed by group undertakings	41,700	38,371
Other debtors	849	764
Prepayments and accrued income	28	27
	49,295	45,395

The amount owed by group undertakings has no specified due date

# Pauls Malt Limited

## 15 Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Trade creditors	23,223	21,039
Tangible fixed assets purchases	398	748
Obligations under finance leases due to group undertakings	2,536	2,697
Group relief payable	1,496	2,256
Other amounts due to group undertakings	230	1,368
Other taxation and social security	136	331
Other creditors	92	47
Accruals and deferred income	160	161
	<b>28,271</b>	<b>28,647</b>

Amounts due to or from the company's parent, with the exception of balances surrendered for group relief, sale and leaseback obligations and long-term liabilities (see note 16), accrue interest at a rate of 0.5% above LIBOR

## 16 Creditors: amounts falling due after more than one year

	2006 £'000	2005 £'000
Obligations under finance leases due to group undertakings	3,914	6,450
Other amounts due to group undertakings	24,900	24,900
	<b>28,814</b>	<b>31,350</b>

The other amounts due to group undertakings are non-instalment and non-interest bearing, and have no specified repayment date

### Obligations under finance leases due to group undertakings

The net finance lease obligations to which the company is committed are

	2006 £'000	2005 £'000
In one year or less	2,536	2,697
Between one and two years	2,567	2,536
Between two and five years	1,347	3,914
	<b>6,450</b>	<b>9,147</b>

# Pauls Malt Limited

## 17 Provisions for liabilities and charges

	Closure costs £'000	Deferred tax provision excluding deferred tax on pension liability £'000	Total £'000
At 30 September 2005	104	5,476	5,580
Charged/(credited) to profit and loss account	888	(494)	394
Utilised during year	(767)	-	(767)
<b>At 29 September 2006</b>	<b>225</b>	<b>4,982</b>	<b>5,207</b>

### Closure costs and disposal of sites

In January 2006 faced with significant challenges in the international malt markets the Greencore Malting Group, of which the company is a member, took the decision to further restructure the business that resulted in redundancies across the business and the sale of the grain store at Kentford. Malting capacity had already been reduced by the closure in previous years of operations in Ipswich and Carnoustie however loss making sales contracts associated with these sites continued and were provided for in the current financial year.

The remainder of the provision is expected to be fully utilised by 28 September 2007.

### Deferred tax

Deferred taxation provided in the financial statements is as follows:

	2006 £'000	2005 £'000
Tax effect of timing differences because of:		
Excess of capital allowances over depreciation	5,003	5,523
Other	(21)	(47)
Deferred tax excluding that relating to pension liability	4,982	5,476
Pension liability (note 18)	(1,442)	(1,895)
<b>Total provision for deferred tax</b>	<b>3,540</b>	<b>3,581</b>
30 September 2005 as previously reported	5,476	
Prior year adjustment - FRS 17	(1,895)	
30 September 2005 as restated	3,581	
Deferred tax credited to profit and loss account	(394)	
Deferred tax charged to the statement of total recognised gains and losses	353	
<b>At 29 December 2006</b>	<b>3,540</b>	

# Pauls Malt Limited

## 18 Pension obligations

The company operates a funded, defined benefit scheme in the UK. The scheme is comprised of approximately half office based and half manufacturing based employees, situated at various locations within the UK. The scheme is now closed to new members.

A full actuarial valuation was carried out at 1 April 2004 and updated to 29 September 2006 by a qualified independent actuary. The service cost has been calculated by using the Projected Unit method.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)

	2006	2005	2004
	%	%	%
Rate of increase in salaries	3.7	3.7	3.7
Rate of increase in pensions in payment	2.7	2.7	2.7
Rate of increase in pensions in deferment	2.7	2.7	2.7
Discount rate	5.25	5.1	5.6
Inflation assumption	2.7	2.7	2.7

The assets in the scheme and the expected rate of return were

	2006		2005		2004	
	Long-term rate of return expected %	Value £'000	Long-term rate of return expected %	Value £'000	Long-term rate of return expected %	Value £'000
Equities	7.9	12,170	7.8	10,533	8.25	9,099
Bonds	4.4	3,043	4.3	2,562	4.75	2,312
		<b>15,213</b>		<b>13,095</b>		<b>11,411</b>

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the asset distribution at the start of the period to develop the expected long-term rate of return on assets assumption for the portfolio.

Scheme assets are measured at market value. Pension liabilities are measured using the projected unit method discounted to present values.

	2006 £'000	2005 £'000
Total market value of assets (2006: 76% of liabilities, 2005: 68%)	15,213	13,095
Present value of scheme liabilities	(20,019)	(19,412)
Deficit in the scheme	(4,806)	(6,317)
Related deferred tax asset	1,442	1,895
<b>Net pension liability</b>	<b>(3,364)</b>	<b>(4,422)</b>

# Pauls Malt Limited

## 18 Pension obligations (continued)

The following amounts have been recognised in the performance statements in the period under the requirements of FRS 17

	2006 £'000	2005 £'000
<b>Operating profit:</b>		
Current service cost	(492)	(555)
Past service cost	-	-
<b>Total operating charge</b>	<b>(492)</b>	<b>(555)</b>
<b>Other finance income:</b>		
Interest on pension liabilities	(989)	(854)
Expected return on pension scheme assets	954	888
<b>Net finance (expense) / income</b>	<b>(35)</b>	<b>34</b>
<b>Total expense recognised in profit and loss account for year</b>	<b>(527)</b>	<b>(521)</b>

### Statement of total recognised gains and losses

Actuarial gain immediately recognised – prior year	1,255	-
Actuarial losses immediately recognised – current year	(76)	(2,790)
<b>Net actuarial gain / (loss) recognised in statement of total recognised gains and losses</b>	<b>1,179</b>	<b>(2,790)</b>

	2006 £'000	2005 £'000
<b>Movements in deficit during the year</b>		
Deficit in scheme at beginning of the year	(6,317)	(3,449)
<b>Movement in year</b>		
Current service cost	(492)	(555)
Contributions	859	443
Past service costs	-	-
Other finance income	(35)	34
Actuarial gain – prior year	1,255	-
Actuarial (loss) – current year	(76)	(2,790)
<b>Deficit in scheme at end of the year</b>	<b>(4,806)</b>	<b>(6,317)</b>



# Pauls Malt Limited

## 18 Pension obligations (continued)

The actuarial valuation at 1 April 2004, projected to 30 September 2005 showed a deficit of £6,317,000. The actuarial valuation at 1 April 2004, projected to 29 September 2006 showed a deficit of £4,806,000. Company contributions in the year were £369,000 (13% of pensionable pay) (2005 £443,000). During the year, the company also made monthly additional lump-sum contributions totalling £489,600 for the year. Lump-sum contributions of £489,600 a year will be made for a further 14 years. Employee contributions increased from 2% (2005) to 5% (2006) of pensionable pay.

It is expected that during the annual period 30 September 2006 to 28 September 2007, contributions totalling £963,600 will be paid to the scheme (£825,600 company, £138,000 employees).

	2006	2005	2004	2003	2002
<b>History of experience gains and losses</b>					
<b>Difference between the expected and actual return on scheme assets:</b>					
Amount £'000	1,810	438	170	455	(1,853)
Percentage of scheme assets	12%	3%	1%	4%	-21%
<b>Experience gains and losses on scheme liabilities</b>					
Amount	631	0	(237)	0	0
Percentage of the present value of scheme liabilities	3%	0%	-2%	0%	0%
<b>Total amount recognised in the statement of total recognised gains and losses:</b>					
Amount	1,179	(2,790)	(1,171)	(807)	(1,571)
Percentage of the present value of scheme liabilities	6%	-14%	-8%	-6%	-15%

An amount of £81,642 (2005 £39,000) is included within other creditors in respect of contributions due to the pension fund at the year-end.

The company has no exposure to other post-retirement benefit obligations.

# Pauls Malt Limited

## 19 Called up share capital

	2006 £'000	2005 £'000
<b>Authorised</b>		
1,081,000 ordinary shares of £1 each	1,081	1,081
<b>Allotted, called up and fully paid</b>		
1,081,000 ordinary shares of £1 each	1,081	1,081

## 20 Reserves

	Share premium account £'000	Profit and loss account £'000
At 30 September 2005 as previously reported	988	19,367
Prior year adjustment - FRS 17	-	(4,422)
At 30 September 2005 as restated	988	14,945
	-	
Profit for the year	-	3,406
Actuarial gain on pension scheme	-	1,179
Movement on deferred tax relating to pension scheme	-	(353)
<b>At 29 September 2006</b>	<b>988</b>	<b>19,177</b>
Pension liability	-	3,364
Profit and loss account excluding pension liability	-	22,541

## Pauls Malt Limited

### 21 Reconciliation of movements in shareholders' funds

	2006 £'000	Restated 2005 £'000
Profit for the year	3,406	1,169
Actuarial gain/(loss) on pension scheme (note 18)	1,179	(2,790)
Movement on deferred tax relating to pension scheme (note 17)	(353)	825
Result for the year	4,232	(796)
Opening shareholders' funds as previously reported	21,436	20,224
Prior year adjustment - FRS 17	(4,422)	(2,414)
Opening shareholders' funds as restated	17,014	17,810
Closing shareholders' funds	21,246	17,014

### 22 Capital commitments

The company has £119,000 (2005 £106,000) of capital expenditure that has been contracted for but has not been provided for in the financial statements

### 23 Contingent liabilities

	2006 £'000	2005 £'000
Amounts of bank guarantees in respect of malt licences	547	2,046

The company, together with Greencore Group plc and other group companies, has guaranteed a syndicated loan facility available to Greencore Group plc of which £130,239,031 was drawn down at 29 September 2006. There is no specific maximum liability applicable to Pauls Malt Limited.

### 24 Financial commitments

At 29 September 2006 the company had annual commitments under non-cancellable operating leases for the hire of motor vehicles and office equipment expiring as follows

	2006 £'000	2005 £'000
Expiring within one year	7	35
Expiring in the second to fifth years	40	41
	47	76

## **Pauls Malt Limited**

### **25 Related party transactions**

As the company is a wholly owned subsidiary (see note 26), advantage has been taken of the exemption afforded by FRS 8, "Related party disclosures", not to disclose any related party transactions with other members of the group

The directors do not consider that the company entered into any other transactions during the year with related parties which were not 90% subsidiaries of the ultimate parent company

### **26 Ultimate parent undertaking and controlling party**

At 29 September 2006, the immediate parent undertaking was Greencore UK Holdings plc, a company incorporated in the United Kingdom. This company does not prepare consolidated financial statements

At 29 September 2006, the ultimate parent undertaking and controlling party was Greencore Group plc, a company incorporated in the Republic of Ireland. Copies of the consolidated financial statements of Greencore Group plc may be obtained from The Secretary, Greencore Group plc, St Stephen's Green House, Earlsfort Terrace, Dublin 2, Republic of Ireland