

**Wynnstay Group Plc**  
Annual Report & Accounts 2003



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COMPANIES HOUSE 07/05/04

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# Arable, Feed and Stores

**Wynnstay Group Plc** is a broadly based agri-supply business operating in Wales, the border counties, and through the Midlands. Since it was established over 80 years ago, the organisation's reputation for quality products and efficient service has enabled the Group to grow to become one of the most successful rural supply businesses in the country.

# Directors' Report

## for the year ended 31st October 2003

The Directors present their annual report and the audited accounts for the year ended 31st October 2003.

### Principal Activity

The principal activity of the Company continues to be that of the supply of agricultural feeding stuffs, the distribution of arable farm inputs and the merchandising of general agricultural products.

### Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Results, Dividends and Transfers to Reserves

The profit for the year after exceptional items and taxation amounted to £1,252,000 (2002: £1,498,000). A fair view of the development of the business can be found in the Managing Director's report. The directors recommend a final ordinary dividend of 17.0p per share net (2002: 16p per share net), to be paid on 30th April 2004, to shareholders on the Register at the close of business on 1st March 2004, and propose transferring to the profit and loss account the remaining profit for the year of £921,000 (2002: £1,196,000). The share price will be marked exdividend with effect from 1st March 2004. In accordance with the rules of the Company's Scrip dividend and Reinvestment Schemes, eligible

shareholders will be entitled to receive their dividend in the form of additional shares. New mandate forms for this scheme should be signed and lodged with the Company Secretary 14 days before the dividend payment date of 30th April 2004. A resolution to subdivide each £1 nominal existing share into 4 equal shares having a nominal value of 25p each will be considered at the forthcoming Annual General Meeting. Should this resolution be carried then the proposed dividend payment will be adjusted accordingly to 4.25p for each share of 25p nominal value.

### Eifionydd Farmers Association Ltd

On 1st August 2003, the Company acquired all the assets and liabilities of Eifionydd Farmers Association Ltd, an agricultural supply organisation registered under the Industrial & Provident Societies Acts 1965 to 2002. This transaction was effected using a Transfer of Engagements resolution under Section 52 of the 1965 Act. The total net assets acquired amounted to £3,060,000 with the consideration being in the form of £620,000 of new Convertible Loanstock in Wynnstay Group Plc. Each £1 nominal of this Convertible Loanstock carries the right to convert into a new Ordinary Share in Wynnstay Group Plc between 1st September 2005 and 31st August 2006.

### Future Developments

The Board has resolved to seek a listing for the Company's shares on the Alternative Investment Market of the London Stock Exchange (AIM).

### Corporate Governance

The Board recognises that although the Company is not a listed company, its numerous and widespread shareholder base has the right to expect the highest level of Corporate Governance. To this end, the Board is pleased to provide the following information:

**Board of Directors** — The Board currently comprises ten directors, four of whom are executive and six non-executive. The roles of Chairman and Managing Director are separated. The Chairman is non-executive and is elected by the whole Board on an annual basis. A formal schedule of matters requiring Board approval is maintained, and covers such areas as Group strategy, approval of financial budgets and results, Board appointments, approval of major capital expenditure and dividend policy. The Board normally meets once a month with additional meetings as necessary. Directors are able, if necessary, to take independent professional advice in furtherance of their duties, at the Company's expense. All directors and some senior members of staff have adopted a set of guidelines in regard to their responsibilities for the management and conduct of the Company.

**Audit and Remuneration Committee** — This Committee consists of three non-executive directors, Mr R B Jones Perrott, Mr E E Hughes and is chaired by Mr J C Kendrick. The terms of reference task the Committee with identifying and evaluating significant internal and external risks faced by the Company, and then making recommendations to the Board on appropriate strategies for effectively managing these risks. Such risks include:

- The reliability of internal and external reporting systems.
- The safeguarding of assets from inappropriate use, loss and fraud.
- Identifying and properly managing liabilities.
- Ensuring the business operates within all applicable legislation and uses best practice wherever possible.

**Internal Financial Control** — The Board has overall responsibility for the Groups system of internal financial control and has established a control structure to provide reasonable, but not absolute assurance against material misstatement or loss. The key procedures within the control structure are as follows:

- Managers at all levels in the Group have clear lines of reporting responsibility.
- Comprehensive financial reporting procedures exist with budgets covering profits, cash flows and capital expenditure

being prepared and adopted by the Board annually. Actual results are reported monthly to the Board and results compared with budgets and last year's actual. Revised forecasts are prepared as appropriate.

- There is a structural process for appraising and authorising capital projects with clearly defined authorisation levels.

**Going Concern** — The directors confirm that they have a reasonable expectation that the Company has sufficient resources to continue its operations for the foreseeable future. For this reason the directors continue to adopt the going concern concept in preparing the financial statements. The auditors have confirmed that in their opinion this directors' statement on going concern is not inconsistent with the information of which they are aware from the audit work on the financial statements. The auditors were not required to perform any additional work necessary to express a separate opinion on the effectiveness of the Company's Corporate Governance procedures, nor on the ability of the Company to continue in operational existence.

#### Directors and their interests

The directors of the Company who served during the year and their interests in the share capital of the Company at the year end were as follows:

#### Directors and their interests

	£1 Ordinary Shares		SAYE Options		Discretionary Options	
	2003	2002	2003	2002	2003	2002
J E Davies	14,328	13,809				
R B Jones Perrott	10,661	10,275				
E G Owen	5,184	4,995				
J C Kendrick	2,065	1,990				
B H Huxley (resigned 18/03/03)	—	13,832				
E E Hughes	13,087	12,612				
B B Harris	37,140	15,875	2,191	2,191	75,000	135,500
R G Griffiths	31,696	26,692	5,478	5,478	20,491	24,491
B P Roberts	17,438	13,438	1,916	4,139	20,491	24,491
J M Jones	23,155	18,460	2,761	4,244	20,491	24,491
Lord Carlile Of Berriew	6,551	4,313				

No director held any interest in any subsidiary or associate company.

# Directors' Report continued

for the year ended 31st October 2003

## Directors' Appointments

Under Article 69, Mr J E Davies, Mr R B Jones Perrot and Mr B B Harris retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Mr B H Huxley retired from the Board at the last Annual General Meeting.

## Directors' and Officers' Liability Insurance

During the year the Company has purchased and maintained liability insurance for its directors and officers as permitted by Section 310(s) of the Companies Act 1985.

## Substantial Shareholdings

At 31st October 2003, the following shareholders held 3% or more of the issued share capital of the Company:

■ BBHISL Nominees Limited	3.57%
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The directors are not aware that any other person, company or group of companies held 3% or more of the issued share capital of the Company.

## Employees

The Company has procedures for keeping its employees informed about the progress of the business. The Company continues to encourage employee motivation by operating a Savings Related Share Option Scheme open to all employees and by making all staff shareholders by issuing free shares after a qualifying period of employment. The Company provides training and support for all employees where appropriate and gives a full and fair consideration to disabled applicants in respect of duties which may be effectively performed by a disabled person. Where existing employees become disabled, the Company will seek to continue employing them, bearing in mind their disability and provided suitable duties are available. Failing this, all attempts will be made to provide a continuing income.

## Policy on Payment of Creditors

The Group agrees terms and conditions with suppliers before business takes place, and while there is no Group code or standard it is not Group policy to extend supplier payment terms beyond that agreed. There are no suppliers subject to special arrangements.

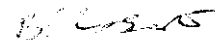
## Auditors

During the year Whittingham Riddell acted as auditors to the Company and of the Group until 18th December 2003. On 18th December 2003, Whittingham Riddell transferred its business to a limited liability partnership, Whittingham Riddell LLP, incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Whittingham Riddell as extending to Whittingham Riddell LLP with effect from 18th December 2003. A resolution to reappoint Whittingham Riddell LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

By order of the Board

## B P Roberts

Company Secretary  
20th January 2004



## Independent Auditors' Report to the Shareholders of Wynnstay Group Plc

We have audited the financial statements of Wynnstay Group Plc for the year ended 31st October 2003 set out on pages 16 to 35. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 19.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective Responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities, the Company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

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

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

### Basis of Opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st October 2003 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

20th January 2004

**Whittingham Riddell LLP**  
**Chartered Accountants**  
**Registered Auditors**  
**Shrewsbury**



# Consolidated Profit and Loss Account

for the year ended 31st October 2003

	Notes	Total 2003 £'000	Total 2002 £'000
<b>Turnover</b>			
Continuing operations	1	85,010	80,943
Cost of sales		(69,009)	(66,472)
<b>Gross profit</b>		<b>16,001</b>	<b>14,471</b>
Selling, distribution and administrative costs		(13,773)	(12,454)
Associated undertaking results	11	54	80
Joint venture results	11	115	68
<b>Operating profit</b>		<b>2,397</b>	<b>2,165</b>
Exceptional item	3	(585)	—
Profit on sale of fixed assets in continuing operations		25	16
<b>Profit on ordinary activities before interest</b>		<b>1,837</b>	<b>2,181</b>
Interest receivable		14	18
Interest payable	2	(96)	(91)
<b>Profit on ordinary activities before taxation</b>	3	<b>1,755</b>	<b>2,108</b>
Tax on profit on ordinary activities	5	(503)	(610)
<b>Profit on ordinary activities after taxation</b>		<b>1,252</b>	<b>1,498</b>
Dividends	6	(331)	(302)
<b>Retained profit for the year</b>	20	<b>921</b>	<b>1,196</b>
Earnings per share — before exceptional item	6	<b>94.30p</b>	80.13p
Earnings per share	6	<b>65.34p</b>	80.13p
Fully diluted earnings per share	6	<b>51.27p</b>	64.06p

There were no recognised gains or losses other than those shown in the above profit and loss account.

The notes on pages 19 to 35 form part of these accounts.

A statement of movement in reserves may be found in note 20.

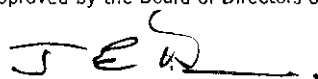
# Balance Sheets

at 31st October 2003

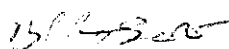
	Notes	Group		Company	
		2003 £'000	2002 £'000	2003 £'000	2002 £'000
<b>Fixed assets</b>					
Intangible assets	7	601	180	135	180
Tangible assets	8	8,445	5,486	8,100	5,482
Investments in subsidiary undertakings	9	—	—	1,322	610
Investments	11	1,616	1,230	1,240	1,024
		<b>10,662</b>	6,896	<b>10,797</b>	7,296
<b>Current assets</b>					
Stocks	13	7,228	4,584	7,096	4,584
Debtors	14	15,479	12,074	14,380	11,524
Cash at bank and in hand		1,903	869	1,903	990
		<b>24,610</b>	17,527	<b>23,379</b>	17,098
<b>Creditors: amounts falling due within one year</b>	15	<b>(18,391)</b>	(11,057)	<b>(17,301)</b>	(10,771)
		<b>6,219</b>	6,470	<b>6,078</b>	6,327
<b>Total assets less current liabilities</b>		<b>16,881</b>	13,366	<b>16,875</b>	13,623
<b>Creditors: amounts falling due after more than one year</b>	16	<b>(585)</b>	(683)	<b>(585)</b>	(683)
<b>Provision for liabilities and charges</b>	17	<b>(167)</b>	(99)	<b>(167)</b>	(99)
<b>Net assets</b>		<b>16,129</b>	12,584	<b>16,123</b>	12,841
<b>Capital and reserves</b>					
Called up share capital	18	1,948	1,885	1,948	1,885
Share premium account	19	1,428	1,307	1,428	1,307
Reserves	20	10,313	9,392	10,307	9,649
Loanstock redemption reserve	21	2,440	—	2,440	—
Shareholders' funds	22	<b>16,129</b>	12,584	<b>16,123</b>	12,841

The financial statements were approved by the Board of Directors on 20th January 2004

J E Davies



B P Roberts



The notes on pages 19 to 35 form part of these accounts.

# Consolidated Cash Flow Statement

for the year ended 31st October 2003

	Notes	2003		2002	
		£'000	£'000	£'000	£'000
Cash flow from operating activities	29i (a)	<b>4,483</b>		1,799	
Returns on investments and servicing of finance	29i (b)	<b>(82)</b>		(73)	
Taxation		<b>(540)</b>		(647)	
Capital expenditure and financial investment	29i (c)	<b>(1,943)</b>		(351)	
Acquisitions and disposals	29i (d)	<b>(605)</b>		(400)	
Equity dividends paid		<b>(302)</b>		(278)	
Cash inflow before use of liquid resources and financing			<b>1,011</b>		50
Financing — Issue of shares	29i (e)	<b>184</b>		132	
(Decrease)/increase in debt	29i (e)	<b>(657)</b>		(301)	
			<b>(473)</b>		(169)
(Decrease)/increase in cash in the period			<b>538</b>		(119)
<b>Reconciliation of net cash flow to movement in net debt</b>					
(Decrease)/increase in cash in the period	29ii	<b>538</b>		(119)	
Cash inflow from increase in debt and leasing financing		<b>657</b>		301	
Change in net debt resulting from cash flows			<b>1,195</b>		182
Loans and finance leases acquired with subsidiary			<b>(821)</b>		—
New finance leases and debt			<b>(984)</b>		(207)
Movement in net debt in the period			<b>(610)</b>		(25)
Net debt at 1st November 2002			<b>(278)</b>		(253)
<b>Net debt at 31st October 2003</b>			<b>(888)</b>		(278)

# Notes to the Accounts

## 1. Accounting Policies

### (a) Basis of accounting

These accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. The results presented are in respect of the continuing operational activities described in the Directors' Report. The comparative figures relate to the year ended 31st October 2002.

### (b) Basis of consolidation and goodwill

Corporate and unincorporated joint ventures in which the Group has an investment representing not less than 20% of the voting rights, and over which it exerts significant influence, are treated as associated undertakings. The Group accounts include the appropriate share of these undertakings' profits based on the latest available audited accounts, and provide for an appropriate share of their losses, based on the latest available management accounts. The results of subsidiary undertakings are consolidated on an acquisition accounting basis, with purchased goodwill arising prior to FRS 10 written off against reserves. Following the implementation of FRS 10, purchased goodwill is capitalised and written off over its estimated useful economic life.

*The Company has taken advantage of the exemptions conferred by S.230 of the Companies Act 1985 not to prepare a profit and loss account. A profit of £658,000 (2002: £945,000) has been dealt with in the parent company's accounts.*

### (c) Turnover

Turnover represents the invoiced value of sales and excludes Value Added Tax.

### (d) Depreciation

Depreciation is calculated so as to write off the cost of the assets on a straight line basis over their useful economic lives as follows

Freehold buildings	2.5%–5% p.a.
Plant and machinery/office equipment	10%–33% p.a.
Motor vehicles	20%–30% p.a.

### (e) Stocks

Stocks are stated at the lower of cost and net realisable value.

### (f) Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposals of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

### (g) Leased assets

Assets held under finance leases or being acquired under hire purchase contracts are capitalised in the balance sheet and depreciated over their useful economic lives, interest being charged to the profit and loss account over the period of the agreement. Operating lease rentals are charged to the profit and loss account as incurred.

### (h) Pensions

The Company operates a defined contribution scheme. Contributions to this scheme are charged to the profit and loss account, as they are incurred in accordance with the rules of the scheme.

### (i) Employee share ownership trust

The Company operates an employee share ownership trust. Contributions to this trust are charged to the profit and loss account on an accruals basis.

# Notes to the Accounts

continued

## 2. Interest Payable

	2003 £'000	2002 £'000
Finance lease charges	33	24
Bank loans and overdrafts wholly repayable within five years	60	63
Interest on loan capital	3	4
	<b>96</b>	<b>91</b>

## 3. Profit on ordinary activities before taxation

(a) Profit on ordinary activities before taxation is stated after charging:

	2003 £'000	2002 £'000
Depreciation of owned fixed assets	869	691
Depreciation of fixed assets held under finance leases or acquired under hire purchase contracts	162	108
Directors' remuneration (see note 4)	492	428
Auditors' remuneration	29	27
	18	13
Operating lease charges	113	129
Exceptional item	585	—

The exceptional item relates to a bad debt incurred in the year as a result of the appointment of an administrative receiver at Brandons Plc.

(b) The aggregate payroll costs charged in the accounts and the average number of persons employed in the year were as follows:

	2003 £'000	2002 £'000
Wages and salaries	5,956	5,356
Social security costs	570	478
Pension and other costs	332	354
	<b>6,858</b>	<b>6,188</b>
	<b>No.</b>	<b>No.</b>
Administration	31	27
Production	37	37
Sales, distribution and retail	200	174
	<b>268</b>	<b>238</b>

**4. Directors' emoluments**

	2003 £'000	2002 £'000
Directors' emoluments	432	375
Company contributions to money purchase pension schemes	60	53
	<b>492</b>	<b>428</b>
<i>The remuneration of the highest paid director included above was:</i>		
Salary	109	103
Benefits	11	4
Bonus	33	29
Company contributions to pension scheme (note 26)	45	42
	<b>198</b>	<b>178</b>

During the year 4 directors (2002: 4) were accruing benefits under money purchase pension schemes.

There were 4 directors who exercised savings related or discretionary share options during the year (2002: Nil).

**5. Taxation on ordinary activities**

	2003 £'000	2002 £'000
<b>Current tax</b>		
Corporation tax based on the profit for the year at 30% (2002: 30%)	493	601
Prior year overprovision	(58)	9
Total current tax	<b>435</b>	<b>610</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	68	—
Total deferred tax (Note 17)	<b>68</b>	<b>—</b>
Total tax on profit on ordinary activities	<b>503</b>	<b>610</b>

**Factors affecting tax charge for the period**

The differences between the total current tax shown above and the amount calculated by applying the standard rate of corporation tax in the UK (30%) to the profit before tax is as follows:

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	<b>1,755</b>	<b>2,108</b>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	<b>527</b>	<b>632</b>
Effects of:		
Utilisation of tax losses	(16)	(12)
Depreciation for the period in excess of capital allowances	(52)	26
Expenses not deductible for tax purposes	41	11
Other items	3	(47)
Group current tax charge for period	<b>503</b>	<b>610</b>

**Factors affecting future tax charges**

The Group's level of capital investment is expected to remain at similar levels of investment. Therefore, it expects to be able to claim capital allowances in excess of depreciation in future years, at a similar level to the current year.

# Notes to the Accounts

continued

## 6. Dividends and earnings per share

	2003 £'000	2002 £'000
Proposed dividend	331	302

The proposed dividend is as recommended by the directors on page 12 at a rate of 17 pence net (2002: 16 pence net) per £1 ordinary share.

Earnings per share (see page 16) has been calculated based on the profit on ordinary activities after taxation of £1,252,000 (2002: £1,498,000) and the weighted average number of shares in issue during the year of 1,916,468 ordinary shares (2002: 1,869,159). Earnings per share has also been calculated on a fully diluted basis taking account of options granted and convertible loan stock not yet exercised of 525,347 ordinary shares (2002: 469,097).

## 7. Intangible fixed assets

	Group Goodwill £'000	Company Goodwill £'000
<b>Cost</b>		
Balance brought forward	225	225
Additions	582	74
Balance carried forward	807	299
<b>Amortisation</b>		
Balance brought forward	45	45
Charge for the year	161	119
Balance carried forward	206	164
<b>Net book value</b>		
Balance carried forward	601	135
Balance brought forward	180	180

Goodwill is amortised over the following periods:

Wrekin Seeds	5 years
C A Davies & Sons Limited	10 years
Garners	1 year
Shipston Mill	1 year

## 8. Tangible fixed assets

## Group

	Freehold land and buildings £'000	Plant, machinery and office equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>				
Balance b/fwd 1st November 2002	4,643	5,258	2,797	12,698
Additions	1,745	1,542	734	4,021
Disposals	(2)	(3)	(211)	(216)
<b>Balance c/fwd 31st October 2003</b>	<b>6,386</b>	<b>6,797</b>	<b>3,320</b>	<b>16,503</b>
<b>Depreciation</b>				
Balance b/fwd 1st November 2002	1,365	3,834	2,013	7,212
Charge for the year	133	458	440	1,031
Disposals	(2)	(3)	(180)	(185)
<b>Balance c/fwd 31st October 2003</b>	<b>1,496</b>	<b>4,289</b>	<b>2,273</b>	<b>8,058</b>
<b>Net book value</b>				
<b>Balance c/fwd 31st October 2003</b>	<b>4,890</b>	<b>2,508</b>	<b>1,047</b>	<b>8,445</b>
Balance c/fwd 31st October 2002	3,278	1,424	784	5,486

The net book value of plant and machinery and of motor vehicles above includes amounts of £595,171 (2002: £393,347) respectively, representing assets held under finance leases and being acquired under hire purchase contracts.

## Company

<b>Cost</b>				
Balance b/fwd 1st November 2002	4,631	5,238	2,640	12,509
Additions	1,415	1,492	635	3,542
Disposals	(2)	(3)	(181)	(186)
<b>Balance c/fwd 31st October 2003</b>	<b>6,044</b>	<b>6,727</b>	<b>3,094</b>	<b>15,865</b>
<b>Depreciation</b>				
Balance b/fwd 1st November 2002	1,353	3,814	1,860	7,027
Charge for the year	127	420	367	914
Disposals	(2)	(3)	(171)	(176)
<b>Balance c/fwd 31st October 2003</b>	<b>1,478</b>	<b>4,231</b>	<b>2,056</b>	<b>7,765</b>
<b>Net book value</b>				
<b>Balance c/fwd 31st October 2003</b>	<b>4,566</b>	<b>2,496</b>	<b>1,038</b>	<b>8,100</b>
Balance c/fwd 31st October 2002	3,278	1,424	780	5,482

The net book value of plant and machinery and of motor vehicles above includes amounts of £595,171 (2002: £393,347) respectively, representing assets held under finance leases and being acquired under hire purchase contracts.

# Notes to the Accounts

continued

## 9. Investments in subsidiary undertakings

	£'000
<b>Company</b>	
Balance brought forward	610
Additions	712
Balance carried forward	1,322

Subsidiary undertakings represent the following UK registered limited companies:

Limited company	Interest	Business activity
Griffiths & Simpson Limited	100%	Dormant company
L.N. Jones (Tattenhall) Limited	100%	Dormant company
E.W. Webster Limited	100%	Dormant company
Shropshire Grain Limited	100%	Grain merchants
Wynnstay Country Farmstock Limited	100%	Livestock marketing
C A Davies & Sons Limited	100%	Grain merchants

On 1st January 2003 the Company acquired 100% of the issued share capital of C A Davies & Sons Limited for consideration comprising cash of £492,000 and deferred consideration of £200,000. The composition and fair value of the consideration for the acquisition given by the Group is disclosed in note 10 below.

## 10. Purchase of subsidiary undertakings

	C A Davies & Sons Limited £'000
<b>Net assets acquired</b>	
Tangible fixed assets	389
Stock	154
Debtors	293
Cash at hand and in bank	1
Creditors	(375)
Loans and finance leases	(258)
	204
Goodwill	488
	692
Legal fees re acquisition	20
	712
<b>Satisfied by</b>	
Cash to vendors	492
Deferred consideration (Note 15)	200
Cash re legal fees	20
	712

**11. Investments****Group**

	Interests in associated undertakings £'000	Interests in joint ventures £'000	Other unlisted investments £'000	Total £'000
Balance brought forward	778	358	94	1,230
Additions	—	138	103	241
Share of results	54	115	(24)	145
Balance carried forward	832	611	173	1,616

**Company**

	Interests in associated undertakings £'000	Interests in joint ventures £'000	Other unlisted investments £'000	Total £'000
Balance brought forward	648	290	86	1,024
Additions	—	138	78	216
Balance carried forward	648	428	164	1,240

The above interests in associated undertakings are represented by the following UK registered limited companies:

Limited company	Interest	Capital & Reserves at the year end	After tax Profit/(Loss) for the year	Business activity
Wynnstay Fuels Limited	40%	£251,564	£18,830	Supply of petroleum products
Welsh Feed Producers Limited	33%	£1,561,000	£157,944	Manufacture of compound animal feeds

The above interests in joint ventures are represented by the following UK registered limited companies:

Limited company	Interest	Capital & Reserves at the year end	After tax Profit/(Loss) for the year	Business activity
Youngs Animal Feeds Limited Standon Mill, Standon, Stafford.	50%	£500,533	£137,256	Manufacture and distribution of equine feeds
Wyro Developments Limited Eagle House, Llansantffraid, Powys.	50%	£444,800	£92,356	Property development

# Notes to the Accounts

continued

## 11. Investments continued

During the year Wynnstay Group Plc made sales to the above associated undertakings and joint ventures in aggregate of £445,656 (2002: £607,672) and also made purchases from them in aggregate of £2,589,692 (2002: £2,397,344).

During the year, Wynnstay Investments Ltd, a joint venture was incorporated and has yet to commence trading. The first accounts prepared will be to 31st October 2004.

For the purposes of consolidation, the following periods of account have been used for each of the associated undertakings and joint ventures:

Company	Accounting period
Wynnstay Fuels Limited	31st December 2002
Welsh Feed Producers Limited	13th September 2003
Wyro Developments Limited	31st October 2003
Youngs Animal Feeds Limited	30th April 2003

## 12. Other acquisitions

On 1st August 2003 the company acquired the assets and trade of Eifionydd Farmers Association Ltd, an agricultural supply organisation registered under the Industrial & Provident Societies Acts 1965 to 2002. This transaction was effected using a Transfer of Engagements resolution under Section 52 of the 1965 Act, consideration being in the form of £620,000 of new Convertible Loanstock in Wynnstay Group Plc, which carries the right to convert into a new ordinary share in Wynnstay Group Plc and is disclosed as loanstock redemption. The assets and liabilities acquired are set out below.

The Company also acquired the business and assets of Shipston Mill, an agricultural trading division of Campion Services Limited, and the distribution business of Garners (Newcastle, Staffs) Limited. The consideration paid was £56,000 and £24,000 respectively. The assets and liabilities acquired are set out below.

	Eifionydd Farmers Association Ltd £'000	Shipston Mill £'000	Garners £'000
<b>Net assets acquired</b>			
Tangible fixed assets	1,482	6	—
Investments	102	—	—
Stock	1,911	—	—
Debtors	1,744	—	—
Creditors	(1,516)	—	—
Bank overdrafts	(94)	—	—
Deferred taxation	(6)	—	—
Loan capital	(563)	—	—
	3,060	6	—
Goodwill	—	50	24
	3,060	56	24
<b>Satisfied by</b>			
Convertible Loanstock (Note 14)	620	—	—
Loanstock redemption (Note 21)	2,440	—	—
Cash	—	56	24
	3,060	56	24

**13. Stocks**

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Raw materials and consumables	413	386	413	386
Finished goods and goods for resale	6,815	4,198	6,683	4,198
	<b>7,228</b>	<b>4,584</b>	<b>7,096</b>	<b>4,584</b>

There is no material difference between the balance sheet value of stocks and their replacement value.

**14. Debtors**

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Trade debtors	14,279	11,140	12,600	10,053
Other debtors	1,200	934	1,325	914
Amounts owed by Group undertakings	—	—	455	557
	<b>15,479</b>	<b>12,074</b>	<b>14,380</b>	<b>11,524</b>

Amounts falling due after more than one year included above are:

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Other debtors	—	165	—	165

# Notes to the Accounts

continued

## 15. Creditors: amounts falling due within one year

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
<b>Convertible debt</b>				
Convertible unsecured loanstock	620	—	620	—
	<b>620</b>	<b>—</b>	<b>620</b>	<b>—</b>
<b>Other creditors</b>				
Trade creditors	13,688	8,657	12,932	7,686
Accruals and deferred income	365	145	365	145
Other creditors	1,107	933	879	857
Taxation and social security	170	133	170	133
Obligations under finance leases and hire purchase contracts	195	119	195	119
Amounts owed to Group undertakings	—	—	424	761
	<b>15,525</b>	<b>9,987</b>	<b>14,965</b>	<b>9,701</b>
Bank loans and overdrafts (secured, note 16)	687	179	191	179
Loan capital (unsecured)	704	166	704	166
Corporation tax	324	423	290	423
Proposed dividend	331	302	331	302
Deferred consideration (Note 10)	200	—	200	—
	<b>17,771</b>	<b>11,057</b>	<b>16,681</b>	<b>10,771</b>
	<b>18,391</b>	<b>11,057</b>	<b>17,301</b>	<b>10,771</b>

Each £1 of Convertible Unsecured Loanstock is convertible at the option of the holder into one £1 nominal fully paid ordinary share between 1st September 2005 and 31st August 2006. At any other date this loanstock is redeemable at par at the option of the holder.

Bank loans and overdrafts include overdrafts totalling £496,000 relating to subsidiary companies, which are secured by debentures over the assets of those companies.

**16. Creditors: amounts falling due after more than one year**

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Obligations under finance leases and hire purchase contracts	295	203	295	203
Bank loan	290	480	290	480
	<b>585</b>	<b>683</b>	<b>585</b>	<b>683</b>

Obligations under finance leases and hire purchase contracts are wholly repayable within five years as follows:

**Group and Company**

	Bank loan		Finance lease and hire purchase	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
1-2 years	202	190	169	94
2-5 years	88	290	126	109
	<b>290</b>	<b>480</b>	<b>295</b>	<b>203</b>

The bank loan represents a term loan repayable by instalments of £17,874 per month inclusive of fixed rate interest of 6.19% per annum. The loan is secured by a first legal charge over land at Shrewsbury dated 12th December 2000.

**17. Provisions for liabilities and charges****Group and Company**

	Deferred taxation £'000
Balance b/fwd 1st November 2002	99
Charged to profit & loss account (Note 5)	68
<b>Balance c/fwd 31st October 2003</b>	<b>167</b>

**Deferred taxation**

The provision for deferred taxation is made up as follows:

	2003 £'000	2002 £'000
Accelerated capital allowances	175	110
Short-term timing differences	(8)	(11)
	<b>167</b>	<b>99</b>

# Notes to the Accounts

continued

## 18. Share capital Group and Company

	Authorised		Allotted, called up and fully paid	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Ordinary £1 shares	<b>10,000</b>	10,000	<b>1,948</b>	1,885

During the year 37,130 (2002: 32,290) ordinary £1 shares were issued with an aggregate nominal value of £37,130 (2002: £32,290), fully paid for equivalent cash of £157,802 (2002: £132,389) to shareholders exercising their right to receive dividends under the Company's scrip dividend scheme. In addition, a further 25,200 shares (2002: Nil) were issued to the Company's Employee Share Ownership Trust, fully paid for equivalent cash of £25,200. The following options were exercised and outstanding at 31st October 2003 under the Company's various option schemes:

Discretionary Share Option Schemes	Price per share and exercisable by £	Number of options		
		As at 1st November 2002	Exercised in year	As at 31st October 2003
Granted June 1993	1.60 June 2003	5,500	(5,500)	—
Granted June 1994	1.93 June 2004	15,000	(13,000)	<b>2,000</b>
Granted February 1995	3.00 February 2005	64,000	(58,000)	<b>6,000</b>
Granted June 1996	4.55 June 2006	16,000	(2,000)	<b>14,000</b>
Granted July 1997	4.65 July 2007	16,000	(2,000)	<b>14,000</b>
Granted May 2002	4.35 June 2005–June 2007	99,473	—	<b>99,473</b>
Granted May 2002	4.35 July 2005–July 2007	75,000	—	<b>75,000</b>
		290,973	(80,500)	<b>210,473</b>
Savings Related Share Option Scheme	Price per share and exercisable by £	Number of options		
		As at 1st November 2002	Movement	As at 31st October 2003
Granted March 1998	4.65 Oct 2003	9,470	(9,470)	—
Granted March 1999	4.05 May 2004–Oct 2004	5,411	(81)	<b>5,330</b>
Granted August 2000	3.08 Oct 2005–Apr 2006	53,234	(2,519)	<b>50,715</b>
Granted June 2002	3.48 Aug 2007–Jan 2008	110,009	(6,180)	<b>103,829</b>
		178,124	(18,250)	<b>159,874</b>
<b>Total</b>		<b>469,097</b>	<b>(98,750)</b>	<b>370,347</b>

During the year no Savings Related Options (2002: nil) were exercised and satisfied by the issue of shares held by the Employee Share Ownership Trust operated by the Company. The change in the number of other savings related share options relates to members withdrawing from the scheme by leaving employment or closing the savings contract.

**19. Share premium account**  
**Group and Company**

	<b>2003</b>	2002
	<b>£'000</b>	£'000
Balance brought forward	<b>1,307</b>	1,207
Arising on shares issued during the year (note 18)	<b>121</b>	100
Balance carried forward	<b>1,428</b>	1,307

**20. Reserves**  
**Group**

	<b>General reserve £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
Balance brought forward	1,582	7,810	9,392
Retained profit for the year	—	921	921
Balance carried forward	1,582	8,731	10,313

**Company**

	<b>General reserve £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
Balance brought forward	1,582	8,067	9,649
Retained profit for the year	—	658	658
Balance carried forward	1,582	8,725	10,307

**21. Loanstock redemption reserve**

	<b>Group</b>		<b>Company</b>	
	<b>2003</b>	2002	<b>2003</b>	2002
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Balance brought forward	—	—	—	—
Premium on redemption	<b>2,440</b>	—	<b>2,440</b>	—
Balance carried forward	<b>2,440</b>	—	<b>2,440</b>	—

# Notes to the Accounts

continued

## 22. Reconciliation of movement in shareholders' funds

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Balance brought forward	12,584	11,256	12,841	11,764
Retained profit for the year	921	1,196	658	945
Proceeds from shares issued	184	132	184	132
Loanstock	2,440	—	2,440	—
Balance carried forward	16,129	12,584	16,123	12,841

## 23. Commitments for capital expenditure

Capital commitments at 31st October 2003 for which no provision has been made in these accounts were as follows:

	2003 £'000	2002 £'000
Contracts placed	40	146

## 24. Operating lease commitments

At 31st October 2003 the Company had annual commitments under non-cancellable operating leases as detailed below:

	Land and buildings		Other	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Within one year	—	—	14	15
In two to five years	31	31	24	42

## 25. Other financial commitments

The Group has guaranteed the bank overdrafts of four (2002: three) of its associated undertakings and joint ventures (note 11) to a maximum amount of £635,000 (2002: £425,000).

The Group routinely enters into various forward contracts to purchase raw materials. As at 31st October 2003 the open commitments amounted to £11,791,633 (2002: £5,077,758) with such forward transactions to form part of production costs in next year's accounts.

**26. Pensions**

The Company operates defined contribution pension schemes which are administered on a separate basis to the Company. The pension and associated costs charge for the year was £332,086 (2002: £354,000). The liability owed to the pension fund at 31st October 2003 was £24,000 (2002: £37,000).

The company has entered into a commitment to fund the highest paid director's money purchase pension arrangement to a specified level. The pension cost charge for the year, included above, amounted to £45,000 (2002: £42,500), and the directors consider this to be a fair charge bearing in mind likely future returns. The funding requirement is subject to an annual review.

**27. Employee share ownership trust**

The Company operates an employee share ownership trust which is administered on a separate basis to the Company. Contributions to the trust charged to the accounts in the year were £20,000 (2002: £30,285). As at 31st October 2003, 9,584 (2002: 13,500) ordinary £1 shares were held by the trust pending distribution to employees under the terms of the trust deed, with a market value of £57,983 (2002: £58,050), although in the event that such shares are used to satisfy the exercise of the share options shown in note 18, their realisable value at £1.93 per share is £18,497 (2002: £21,600). These shares have not been recognised in the Company's balance sheet. This is not in accordance with the accounting recommendation of UITF 13, Accounting for ESOP Trusts, as in the opinion of the directors full compliance would not materially affect the view given by the accounts.

**28. Directors' interests**

During the year trading took place between the Company and some of the directors. All transactions were carried out on an arm's length basis, the total value of which were £224,522 (2002: £210,028).

	Total Sales £
J E Davies	79,745
R B Jones-Perrott	12,937
E G Owen	55,653
B H Huxley	876
E E Hughes	68,069
B B Harris	4,319
B P Roberts	1,124
R G Griffiths	756
Lord Carlile Of Berriew	1,043

# Notes to the Accounts

continued

## 29. Notes to the cash flow statement

(i)

	2003 £'000	2002 £'000
<b>a) Reconciliation of operating profit to operating cash flows</b>		
Operating profit	2,397	2,165
Depreciation and amortisation	1,191	844
Associated undertakings results	(169)	(148)
Write down in value of investment	25	—
Movement in stocks	(579)	(884)
Movement in debtors	(1,368)	(777)
Movement in creditors	3,571	599
Exceptional bad debt	(585)	—
Net cash inflow from operating activities	4,483	1,799
<b>b) Returns on investments and servicing of finance</b>		
Interest paid	(96)	(91)
Interest receivable	14	18
Net cash outflow from returns on investments and servicing of finance	(82)	(73)
<b>c) Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(1,786)	(379)
Purchase of investments	(139)	—
Proceeds from sale of fixed assets	56	28
Purchase of goodwill	(74)	—
Net cash outflow from capital expenditure and financial investment	(1,943)	(351)
<b>d) Acquisitions and disposals</b>		
Intangible and tangible fixed assets and stocks	—	(400)
Purchase of subsidiary undertaking (Note 10)	(492)	—
Legal fees re acquisition	(20)	—
Net overdrafts acquired with subsidiary (Notes 10 and 12) and other acquisitions	(93)	—
Net cash outflow from acquisitions and disposals	(605)	(400)
<b>e) Financing</b>		
Issue of ordinary share capital	184	132
Capital element of finance lease rental payments	(215)	(125)
Repayment of loan	(442)	(176)
Net cash (outflow)/inflow from financing	(473)	(169)

**29. Notes to the cash flow statement continued****(ii) Analysis of net debt**

	At 1st November 2002 £'000	Acquisition (Excluding cash and overdrafts) £'000	Cash Flow £'000	Other-non cash changes £'000	At 31st October 2003 £'000
Cash in hand, and at bank	869		1,034		<b>1,903</b>
Overdrafts	—		(496)		<b>(496)</b>
	869		538		<b>1,407</b>
Debt due after 1 year	(480)		190		<b>(290)</b>
Debt due within 1 year	(345)	(802)	252	(620)	<b>(1,515)</b>
Finance leases	(322)	(19)	215	(364)	<b>(490)</b>
	(278)	(821)	1,195	(984)	<b>(888)</b>

**30. Major non-cash transactions**

Part of the consideration for the purchase of subsidiary undertakings that occurred during the year comprised loan notes and share for share loanstock redemption. Further details of the acquisitions are set out in notes 10 and 12.

# Notice of Meeting

**Notice is hereby given** that the twelfth Annual General Meeting of Wynnstey Group Plc will be held at the Lord Hill Hotel, Shrewsbury, Shropshire on Thursday 25th March 2004 at 11.45 am for the following purposes:

1. To receive and adopt the Report of the Directors and the Audited Accounts for the year ended 31st October 2003.
2. To declare a dividend for the financial year ended 31st October 2003.
3. To re-elect Mr J E Davies as a director in accordance with Article 69 of the Articles of Association of the Company.
4. To re-elect Mr R B Jones Perrott as a director in accordance with Article 69 of the Articles of Association of the Company.
5. To re-elect Mr B B Harris as a director in accordance with Article 69 of the Articles of Association of the Company.
6. To re-appoint Whittingham Riddell LLP as auditors for 2003/2004 and to authorise the directors to fix their remuneration.
7. To consider and, if thought fit, to pass the following Special Resolution:

"That from the date of the passing of this resolution the directors be generally and unconditionally authorised pursuant to section 95 of the Companies Act 1985 (the 'Act') to allot, issue, grant options or rights over, or rights to convert securities into, or otherwise dispose of shares of the Company up to a maximum nominal amount of £250,000 pursuant to the authority conferred on them for the purposes of section 80 of the Act by Article 3 of the Articles of Association of the Company as if section 89(1) of the Act did not apply to any such transaction, and to do so in such a manner and to such persons at such times and at such consideration as the directors in their absolute discretion determine provided that this authority shall expire on the conclusion of the Annual General Meeting of the Company next following the date on which this resolution was passed, save that the Company may before such expiry make an offer or agreement which would or might require the Company to allot, issue, grant options or rights over, or right to convert securities into, or otherwise dispose of shares after such expiry and the directors may do so in pursuance of such an offer or agreement as if the authority conferred hereby had not expired. This authority shall replace all existing authorities conferred on the directors pursuant to section 95 of the Act in respect of the allotment, issue, granting of options or rights over, or right to convert securities into, or other disposal of shares to the extent that the same have not previously been utilised."

8. To consider and, if thought fit, to pass the following Special Resolution:

"That from the date of the passing of this resolution the directors be generally and unconditionally authorised pursuant to Article 4 of the Articles of Association of the Company and in accordance with section 166 of the Act to make one or more market purchases (within the meaning of section 163 of the Act) of the shares of the Company up to a maximum nominal amount of £200,000 provided that:

- 8.1. the minimum price which may be paid for such shares is the nominal value for such shares (exclusive of tax and expenses) and the maximum price which may be paid for such shares shall be not more than 5% above the average of the market values for such share as derived from the relevant market or list (being the OFEX Market if the shares are trading on OFEX

or the Alternative Investment Market Appendix of the Daily Official List of the London Stock Exchange Plc if the shares are trading on the Alternative Investment Market of the London Stock Exchange Plc) for the five business days immediately preceding the date on which such share is purchased (exclusive of tax and expenses);

- 8.2. this authority shall expire on the conclusion of the Annual General Meeting of the Company next following the date on which this resolution was passed or, if earlier, 18 months from the date this resolution is passed save that the Company may before such expiry make an offer or agreement which would or might require the Company to purchase shares after such expiry and the directors may do so in pursuance of such an offer or agreement as if the authority conferred hereby had not expired; and
  - 8.3. this authority shall replace all existing authorities conferred on the directors in respect of the market purchase of shares to the extent that the same have not previously been utilised."
9. To consider and, if thought fit, to pass the following Ordinary Resolution:

"That the existing 10,000,000 issued and unissued ordinary shares of £1 each in the capital of the Company be sub-divided into 40,000,000 ordinary shares of £0.25 each ranking *pari passu* in all respects with each other."

#### Notes:

1. A member of the Company may appoint a proxy to attend and, on a poll, to vote on their behalf. A Form of Proxy accompanies this document and if it is to be used it must be deposited at the Company's Head Office not less than 24 hours before the meeting. *Completion of the Form of Proxy will not preclude a member from attending and voting in person, but it is requested that a member who has previously deposited a proxy should state so upon registration at the meeting.*
2. Special Resolution No. 7 is put forward to give the directors the ability to issue shares up to the stated maximum and during the stated period, without first having to offer them to existing shareholders of the Company. It gives the directors flexibility in financing possible business opportunities and will allow finance to be raised at the time of the anticipated admission of the Company's shares to trading on the Alternative Investment Market of the London Stock Exchange Plc.
3. Special Resolution No. 8 is put forward to give the directors the ability to buy back and cancel existing shares up to the stated maximum and during the stated period provided that the price paid for such shares is within the stated minimum and maximum amounts.
4. Ordinary Resolution No. 9 is put forward to sub-divide each share (both issued and unissued) in the Company into 4 equal shares so that each share held by a shareholder having a nominal value of £1 will be converted into 4 equal shares having a nominal value of £0.25 each.

After the meeting you are cordially invited to a buffet lunch.

By order of the Board

**B P Roberts**  
Company Secretary

## Company Information

<b>Registered Office</b>	Eagle House Llansantffraid-Ym-Mechain Powys SY22 6AQ Tel: (01691) 828512
<b>Auditors</b>	Whittingham Riddell LLP 15 Belmont Shrewsbury Shropshire SY1 1TE Tel: (01743) 355785
<b>Registrar</b>	Mr Ian Davies Eagle House Llansantffraid-Ym-Mechain Powys SY22 6AQ Tel: (01691) 828512
<b>Bankers</b>	HSBC PLC The Cross Oswestry Shropshire SY11 2SR Tel: (01691) 406200
<b>Solicitors</b>	Neil Myerson & Co. 31 Regent Road Altrincham Cheshire WA14 1RX Tel: (0161) 941 4000
	<i>Harrisons</i> 11 Berriew Street Welshpool Powys SY21 7SL Tel: (01938) 552545
<b>Stockbroker</b>	W. H. Ireland Ltd 11 St James's Square Manchester M3 6WH Tel: (0161) 832 2174 Contact: Mr L Beavers
<b>Registered Number</b>	2704051

## Financial Calendar

<b>21st January 2004</b>	Announcement of 2003 Results
<b>1st March 2004</b>	Ex Dividend Date and Dividend Record Date
<b>25th March 2004</b>	Annual General Meeting
<b>30th April 2004</b>	Payment of 2003 Dividends
<b>June 2004</b>	Announcement of 2004 Interim Results