REGISTERED NUMBER: 92467 (Scotland)

CHALMERS BAKERY LIMITED

REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

Ritson Smith
Registered Auditors
Chartered Accountants
16 Carden Place
Aberdeen
AB10 1FX

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CHALMERS BAKERY LIMITED

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FOR THE YEAR ENDED 31 MARCH 2002

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COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2002

DIRECTORS:	R M Chalmers MBE A M Chalmers J A Chalmers A A Rait P Leggett
SECRETARY:	Burnett & Reid
REGISTERED OFFICE:	15 Golden Square ABERDEEN
REGISTERED NUMBER:	92467 (Scotland)
AUDITORS:	Ritson Smith Registered Auditors Chartered Accountants 16 Carden Place Aberdeen AB10 1FX
SOLICITORS:	Burnett & Reid 15 Golden Square Aberdeen

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2002

The directors present their report with the financial statements of the company for the year ended 31 March 2002.

PRINCIPAL ACTIVITY
The principal activity of the company in the year under review was that of the manufacture and retailing of bakery produce.

REVIEW OF BUSINESS
The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS
No dividends will be distributed for the year ended 31 March 2002.

DIRECTORS
The directors during the year under review were:

R M Chalmers MBE
A M Chalmers
J A Chalmers
A A Rait
P Leggett

The beneficial interests of the directors holding office on 31 March 2002 in the issued share capital of the company were as follows:

	31.3.02	1.4.01
Ordinary £1 shares		
R M Chalmers MBE	62,500	62,500
A M Chalmers	62,500	62,500
J A Chalmers	25,000	25,000
A A Rait	-	-
P Leggett	25,000	25,000

EMPLOYMENT POLICIES
The company recognises its obligations to give disabled persons full and fair consideration for all vacancies within the statutory medical requirements which have to be met for certain grades of staff. Wherever reasonable and practical, the company will retain newly disabled employees and at the same time provide full and fair opportunities for the career development of disabled people.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2002

STATEMENT OF 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 of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

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

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

AUDITORS

The auditors, Ritson Smith, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:

.....

Burnett & Reid - SECRETARY

Dated: 30/12/02

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF CHALMERS BAKERY LIMITED

We have audited the financial statements of Chalmers Bakery Limited for the year ended 31 March 2002 on pages five to seventeen. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors
As described on page three 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 Report of the Directors 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 Report of the Directors 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion
In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ritson Smith
Registered Auditors
Chartered Accountants
16 Carden Place
Aberdeen
AB10 1FX

Dated: 31/12/02

CHALMERS BAKERY LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2002

	Notes	2002 £	2002 £	2001 £	2001 £
TURNOVER	2		4,730,516		4,833,245
Cost of sales			2,351,613		2,418,319
GROSS PROFIT			2,378,903		2,414,926
Distribution costs		1,058,548		1,119,148	
Administrative expenses		1,334,451		1,323,697	
			2,392,999		2,442,845
			(14,096)		(27,919)
Other operating income			40,784		65,601
OPERATING PROFIT	4		26,688		37,682
Interest receivable and similar income			2,923		(908)
			29,611		36,774
Interest payable and similar charges	5		1,927		9,110
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			27,684		27,664
Tax on profit on ordinary activities	6		19,863		7,219
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			7,821		20,445
Retained profit brought forward			611,250		590,805
RETAINED PROFIT CARRIED FORWARD			£619,071		£611,250

CONTINUING OPERATIONS
None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES
The company has no recognised gains or losses other than the profits for the current and previous years.

The notes form part of these financial statements

CHALMERS BAKERY LIMITED

BALANCE SHEET
31 MARCH 2002

	Notes	2002 £	2002 £	2001 £	2001 £
FIXED ASSETS:					
Tangible assets	7		1,123,160		1,277,431
CURRENT ASSETS:					
Stocks	8	85,838		78,505	
Debtors	9	233,374		193,118	
Cash at bank and in hand		102,303		3,055	
		421,515		274,678	
CREDITORS: Amounts falling due within one year	10	719,034		725,529	
NET CURRENT LIABILITIES:			(297,519)		(450,851)
TOTAL ASSETS LESS CURRENT LIABILITIES:			825,641		826,580
CREDITORS: Amounts falling due after more than one year	11		6,570		15,330
			£819,071		£811,250
CAPITAL AND RESERVES:					
Called up share capital	15		200,000		200,000
Profit and loss account			619,071		611,250
SHAREHOLDERS' FUNDS:	18		£819,071		£811,250

ON BEHALF OF THE BOARD:

Ronald M Chalmers

R M Chalmers MBE - DIRECTOR

Approved by the Board on 30/12/02

The notes form part of these financial statements

CHALMERS BAKERY LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2002

	Notes	2002 £	2002 £	2001 £	2001 £
Net cash inflow from operating activities	1		158,325		122,255
Returns on investments and servicing of finance	2		996		(10,018)
Taxation			(24,527)		(10,734)
Capital expenditure	2		(28,127)		(127,585)
			106,667		**(26,082)**
Financing	2		(3,260)		16,527
Increase/(Decrease) in cash in the period			**£103,407**		**£(9,555)**

Reconciliation of net cash flow to movement in net debt	3				
Increase/(Decrease) in cash in the period		**103,407**		**(9,555)**	
Cash outflow from decrease in debt and lease financing		8,760		12,123	
Change in net debt resulting from cash flows			112,167		2,568
New finance leases			-		(26,380)
Movement in net debt in the period			**112,167**		**(23,812)**
Net debt at 1 April			**(25,194)**		**(1,382)**
Net funds/(debt) at 31 March			**£86,973**		**£(25,194)**

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2002

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating profit	26,688	37,682
Depreciation charges	182,402	217,156
Increase in stocks	(7,333)	(3,408)
(Increase)/Decrease in debtors	(27,589)	6,647
Decrease in creditors	(15,843)	(135,822)
Net cash inflow from operating activities	158,325	122,255

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2002 £	2001 £
Returns on investments and servicing of finance		
Interest received	2,923	(908)
Interest paid	(946)	(7,118)
Interest element of hire purchase payments	(981)	(1,992)
Net cash inflow/(outflow) for returns on investments and servicing of finance	996	(10,018)
Capital expenditure		
Purchase of tangible fixed assets	(30,877)	(127,585)
Sale of tangible fixed assets	2,750	-
Net cash outflow for capital expenditure	(28,127)	(127,585)

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2002

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT - continued

	2002 £	2001 £
Financing		
Capital repayments	(8,760)	(12,123)
Amount introduced by directors	17,000	28,650
Amount withdrawn by directors	(11,500)	-
Net cash (outflow)/inflow from financing	(3,260)	16,527

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1/4/01 £	Cash flow £	At 31/3/02 £
Net cash:			
Cash at bank and in hand	3,055	99,248	102,303
Bank overdraft	(4,159)	4,159	-
	(1,104)	103,407	102,303
Debt:			
Hire purchase	(24,090)	8,760	(15,330)
	(24,090)	8,760	(15,330)
Total	(25,194)	112,167	86,973
Analysed in Balance Sheet			
Cash at bank and in hand	3,055		102,303
Bank overdraft	(4,159)		-
Hire purchase			
within one year	(8,760)		(8,760)
after one year	(15,330)		(6,570)
	(25,194)		86,973

The notes form part of these financial statements

1. ACCOUNTING POLICIES

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

Turnover
Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Property	- 5% on cost
Lease premium	- Over period of the lease
Tenants improvements	- 5% on cost
Bakery plant	- 15% on cost
Shop and office fittings	- 15% on cost
Motor vehicles	- 25% on cost

Stocks
Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Hire purchase and leasing commitments
Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pensions
The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable for the year are charged in the profit and loss account.

Government grants
Grant income is credited to the profit and loss account as received.

2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

3. STAFF COSTS

	2002	2001
	£	£
Wages and salaries	1,748,444	1,781,825
Social security costs	102,397	103,611
Other pension costs	10,486	14,510
	1,861,327	1,899,946

The average monthly number of employees during the year was as follows:

	2002	2001
Production staff	47	40
Distribution staff	204	202
Administrative staff	10	10
	261	252

4. OPERATING PROFIT

The operating profit is stated after charging:

	2002	2001
	£	£
Lease of plant & equipment	720	1,146
Depreciation - owned assets	175,902	210,656
Depreciation - assets on hire purchase contracts	6,500	6,500
Auditors' remuneration	10,000	10,875
Directors' emoluments	120,784	99,691
Directors' pension contributions to money purchase schemes	3,561	3,561

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	3	3

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
	£	£
Bank interest	891	1,437
Interest on other loans	-	5,681
Interest on VAT penalty	55	-
Hire purchase	981	1,992
	1,927	9,110

6. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2002	2001
	£	£
Current tax:		
UK corporation tax	19,863	24,527
Over/under provision in prior year	-	(12,597)
Total current tax	19,863	11,930
Deferred tax:		
Deferred taxation	-	(4,711)
Tax on profit on ordinary activities	19,863	7,219

UK corporation tax has been charged at 20% (2001 - 20%).

7. TANGIBLE FIXED ASSETS

	Property	Leasehold property	Lease premium	Tenants improvements
	£	£	£	£
COST:				
At 1 April 2001	1,049,888	6,970	14,999	329,402
Additions	-	-	-	4,478
At 31 March 2002	1,049,888	6,970	14,999	333,880
DEPRECIATION:				
At 1 April 2001	229,910	1,220	11,669	158,788
Charge for year	52,494	348	1,667	16,694
At 31 March 2002	282,404	1,568	13,336	175,482
NET BOOK VALUE:				
At 31 March 2002	767,484	5,402	1,663	158,398
At 31 March 2001	819,977	5,750	3,330	170,613

	Bakery plant	Shop and office fittings	Motor vehicles	Totals
	£	£	£	£
COST:				
At 1 April 2001	346,638	393,419	147,620	2,288,936
Additions	6,230	18,169	2,000	30,877
Disposals	-	-	(11,000)	(11,000)
At 31 March 2002	352,868	411,588	138,620	2,308,813
DEPRECIATION:				
At 1 April 2001	213,916	280,351	115,647	1,011,501
Charge for year	45,393	54,202	11,604	182,402
Eliminated on disposals	-	-	(8,250)	(8,250)
At 31 March 2002	259,309	334,553	119,001	1,185,653
NET BOOK VALUE:				
At 31 March 2002	93,559	77,035	19,619	1,123,160
At 31 March 2001	132,721	113,068	31,972	1,277,431

7. TANGIBLE FIXED ASSETS - continued

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Motor vehicles
	£
COST:	
At 1 April 2001 and 31 March 2002	26,000
DEPRECIATION:	
At 1 April 2001	6,500
Charge for year	6,500
At 31 March 2002	13,000
NET BOOK VALUE:	
At 31 March 2002	13,000
At 31 March 2001	19,500

8. STOCKS

	2002	2001
	£	£
Stock	85,838	78,505

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£	£
V.A.T.	-	16,106
Trade debtors	174,016	123,648
Other debtors	56	56
Prepayments	46,631	53,308
Corporation tax recoverable	12,671	-
	233,374	193,118

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Bank loans and overdrafts (see note 12)	-	4,159
Hire purchase contracts (see note 13)	8,760	8,760
Trade creditors	205,010	218,841
Other creditors	86,547	97,820
Directors' current accounts	298,487	292,987
V.A.T.	1,186	-
Social security & other taxes	43,774	26,554
Taxation	19,863	11,856
Accrued expenses	55,407	64,552
	719,034	725,529

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

	2002 £	2001 £
Hire purchase contracts (see note 13)	6,570	15,330

12. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	2002 £	2001 £
Amounts falling due within one year or on demand:		
Bank overdrafts	-	4,159

13. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	Hire purchase contracts	
	2002	2001
	£	£
Gross obligations repayable:		
Within one year	9,741	9,741
Between one and five years	7,306	17,047
	17,047	26,788
Finance charges repayable:		
Within one year	981	981
Between one and five years	736	1,717
	1,717	2,698
Net obligations repayable:		
Within one year	8,760	8,760
Between one and five years	6,570	15,330
	15,330	24,090

The following payments are committed to be paid within one year:

	Land and buildings operating leases	
	2002	2001
	£	£
Expiring:		
Within one year	12,600	9,200
Between one and five years	149,600	120,850
In more than five years	61,074	76,030
	223,274	206,080

14. SECURED DEBTS

The following secured debts are included within creditors:

	2002	2001
	£	£
Bank overdrafts	-	4,159

15. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	2002 £	2001 £
200,000	Ordinary	£1	200,000	200,000

16. CONTINGENT LIABILITIES

The company has guaranteed amounts due to Aberdeenshire Council concerning a factory unit taken on lease in Peterhead.

17. RELATED PARTY DISCLOSURES

The company was under the control of Mr and Mrs R M Chalmers and members of their close family throughout the current and previous year. Mr Chalmers and his wife are personally interested in 62.5% (2001 - 62.5%) of the company's share capital. In addition, his adult children control in aggregate a further 25% (2001 - 25%) of the company's issued share capital.

One of the properties used by the company is personally owned by Mr R and Mrs A Chalmers, directors of the company. No rent is charged for this use.

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002	2001
	£	£
Profit for the financial year	7,821	20,445
Net addition to shareholders' funds	7,821	20,445
Opening shareholders' funds	811,250	790,805
Closing shareholders' funds	819,071	811,250
Equity interests	819,071	811,250