

W. A. Baxter & Sons (Holdings) Limited

Annual Report

For the year ended 28 May 2011

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W. A. BAXTER & SONS (HOLDINGS) LIMITED

DIRECTORS AND ADVISERS

Executive Chairman	Audrey C Baxter DBA
Senior Director	Trevor Ware
Directors	Andrew G Baxter BSc David Ratcliffe Edward Murray William King
Secretary	Peter McLuckie
Company number	SC233302
Registered office	Highfield House Fochabers Moray IV32 7LD
Registered auditors	Johnston Carmichael LLP Bishop's Court 29 Albyn Place Aberdeen AB10 1YL
Solicitors	Burness 50 Lothian Road Festival Square Edinburgh EH3 9WJ

W. A. BAXTER & SONS (HOLDINGS) LIMITED

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W. A. BAXTER & SONS (HOLDINGS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 28 MAY 2011

The directors present their report and financial statements for the year ended 28 May 2011.

Directors

The following directors have held office since 30 May 2010:

Audrey C Baxter DBA
Andrew G Baxter BSc
David Ratcliffe
Trevor Ware
Edward Murray
William King
Alastair Stewart (resigned 20 July 2010)

Principal activities

W. A. Baxter & Sons (Holdings) Limited is the parent company of Baxters Food Group Limited, which is headquartered and has its main operations in the Highlands of Scotland.

Baxters Food Group Limited and its subsidiaries are manufacturers of high quality ambient food, supplying retail and foodservice customers in the UK market and key overseas markets.

High quality foods such as soups, savoury sauces, sour pickles, sweet sauces, preserves, salad and meat accompaniments are sold under a variety of brands owned by, or licensed to, the Baxters Food Group.

This family company has an ethos of creativity, innovation and integrity which lies at the heart of all its operations.

W. A. BAXTER & SONS (HOLDINGS) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 28 MAY 2011

Review of the business

Our group results for the financial year ending May 2011 show a solid financial performance in a tough economic environment. It is clear that the consensus view is that the economic uncertainty we have all had to operate in during the past two years, will continue well into the next two years and beyond. The volatility in demand, cost of operating and uncertainty of supply, make the planning and implementation of good practice in a manufacturing company very challenging. We have developed our strategy to focus on our core strengths, and in particular, entered markets well suited to our product portfolio. This, together with a constant eye on margin protection, has worked well for our business.

Our turnover line has contracted slightly to £125.8M (-2.5%), our EBITDA improved modestly to £13.2M and our PBT rose to £7.1M (+5%). All our contraction in turnover is attributable to the UK market, which shows no let up in the practice of long and deep, low margin promotional activity. Year on year we saw a 13.2% decline in UK sales, most of these sales were promotional volume and not full value sales. Our overseas operations saw an increase in sales of 13.5%. Our retail division sales dropped a modest 4.7% on last year, reflecting the closure of our Ocean Terminal restaurant.

In the year ahead, we will look to see our overseas sales continue to grow as we develop our North American business and see our Australasian business gain from the consolidation of our operations in Melbourne.

In the UK, we have launched an innovative, slow energy release, range of soups, a full range of luxury chutneys and entered a new category (the meat ambient ready meals) with our range of chilli products, packed in microwaveable bowls. Our sales and marketing plans are now in place and we are confident we will return our UK market to growth. Innovation and sound marketing remains at the heart of our company and we are well advanced in the planning of our activities for this and next year.

As well as a sound plan to execute organic growth, Baxters now wish to add to our group through acquisition. We have a robust balance sheet and strong support from our financial suppliers to move into growth via acquisition. We are actively considering a number of options currently and we would expect to complete at least one purchase before this financial year end.

Our operation has continued to grow internationally and treasury activity now has a significant effect on our results. We have been working closely with Deloitte on an annual treasury strategy which will be implemented gradually as we progress through our full financial year. As yet, it is not our intention to be an active user of derivatives, but we will increase the use of various financial tools to de-risk the treasury impact. It is our intention for this to not impact our balance sheet unless necessary and productive.

Poor consumer demand for retailing on the UK high street has had a modest effect on our retail division. The drop off in sales is almost completely attributable to the contraction of our Edinburgh operations. We anticipate that, unfortunately, our retail division will suffer more during the coming year, as major road-works affect two of our sites. We continue to be positive and proud of our retail outlets and although further investment is unlikely, so too is contraction.

The pension scheme liability has dropped from £3.3M to £2.0M. The directors remain fully aware of the long-term nature of this liability and are working closely with the scheme's trustees and advisors to reduce this liability further. Our agreed recovery plan with the Pensions Regulator continues to be effective, which includes the agreed contribution rates of pensionable salary and additional deficit contributions of £0.7M annually from the company, over the period of the deficit recovery.

The many challenges of last year remain, especially in the UK market. We are well placed to deal with them, having put together a strategy for growth. We believe strongly in our customers, consumers and product portfolio and look forward to the challenges and opportunities that will come our way during the year ahead.

W. A. BAXTER & SONS (HOLDINGS) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 28 MAY 2011

Financial risk management

The group's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the group's board of directors, who provide direction on their use of financial derivatives to manage the above risks. The group does not use derivative financial instruments for speculative purposes.

Cash flow risk

The group's activities expose it to financial risks of changes in foreign currency exchange rates. Where feasible, these risks are minimised by establishing purchasing agreements in similar currencies and by using forward contracts.

Interest is fixed for periods of varying lengths on bearing assets and liabilities to ensure certainty of cash flows.

Credit risk

The group's principal financial assets are bank balances and cash, and trade and other receivables.

The group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made when there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

Price risk

The group is exposed to commodity price risk. The group fixes commodity prices with certain suppliers for periods of varying lengths, and looks to pass long term movement in prices to customers as appropriate.

W. A. BAXTER & SONS (HOLDINGS) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 28 MAY 2011

Results and dividends	2011 £000	2010 £000
Profit on ordinary activities, before FRS 17 adjustments, finance charges (net) and taxation, amounted to	7,229	7,313
FRS 17 adjustments	1,062	894
Finance charges (net)	<u>(1,223)</u>	<u>(1,476)</u>
Profit on ordinary activities, before taxation, amounted to	7,068	6,731
The taxation charge thereon amounted to	<u>(2,034)</u>	<u>(843)</u>
Leaving a profit on ordinary activities, after taxation of	5,034	5,888
Dividend paid in the period	<u>(1,403)</u>	<u>(1,910)</u>
Leaving a retained profit of	<u><u>3,631</u></u>	<u><u>3,978</u></u>

The Directors have proposed a final dividend in respect of the year ended 28 May 2011 amounting to £1,500,000 (2010: £1,500,000). In accordance with FRS 21, the proposed dividend has not been accrued in the financial statements.

Staff policies

The group places considerable value on the contribution of its employees and therefore continues to encourage the development of employee involvement in group companies. Management meet regularly with employees to discuss matters of mutual interest and to provide opportunities for employees to contribute to the success of the business.

Employee communications are high priority and regular briefing meetings, together with the use of e-mail and notice boards, ensure all employees are informed about matters of concern to them.

The group's policy is that where it is reasonable and practical within existing legislation, all employees, including those who are disabled, are treated in the same way in matters relating to employment, training, career development and promotion. Employees who become disabled during the period of their employment will be retained wherever possible and encouraged to develop their careers.

Charitable donations

During the year, the group made contributions to local charities of £15,361 (2010: £60,593).

W. A. BAXTER & SONS (HOLDINGS) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 28 MAY 2011

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period.

In preparing these 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 UK 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 group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

The directors confirm that:

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

On behalf of the board



Peter McLuckie
Secretary

29th Sept. 2011

W. A. BAXTER & SONS (HOLDINGS) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF W. A. BAXTER & SONS (HOLDINGS) LIMITED

We have audited the group and company financial statements (the "financial statements") of W. A. Baxter & Sons (Holdings) Limited for the year ended 28 May 2011 set out on pages 8 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company 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 explained more fully in the Director's Responsibilities Statement on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

W. A. BAXTER & SONS (HOLDINGS) LIMITED
INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF W. A. BAXTER & SONS (HOLDINGS) LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 28 May 2011 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Graeme Fraser (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP

Chartered Accountants
Statutory Auditor

14 October 2011

Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

W. A. BAXTER & SONS (HOLDINGS) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 28 MAY 2011

	Notes	2011 £000	2010 £000
Turnover	2	125,844	129,066
Cost of sales		(77,556)	(81,475)
Gross profit		48,288	47,591
Distribution costs		(12,670)	(14,328)
Administrative expenses		(27,795)	(25,169)
Other income		111	47
Operating profit	3	7,934	8,141
Interest receivable and similar income		15	14
Interest payable and similar charges	4	(1,238)	(1,490)
Other finance income	16	357	66
Profit on ordinary activities before taxation		7,068	6,731
Tax on profit on ordinary activities	5	(2,034)	(843)
Profit on ordinary activities after taxation		5,034	5,888

The profit and loss account has been prepared on the basis that all operations are continuing operations.

W. A. BAXTER & SONS (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 28 MAY 2011

	2011 £000	2010 £000
Profit for the financial year	5,034	5,888
Actuarial gain/(loss) relating to net pension liability (note 16)	787	(2,094)
Deferred tax associated with actuarial (gain)/loss relating to net pension liability	(274)	587
Currency translation differences on foreign currency net investments	327	462
Revaluation of freehold land and buildings	-	3,869
Total recognised gains and losses relating to the year	<u>5,874</u>	<u>8,712</u>

CONSOLIDATED NOTE OF HISTORICAL COST PROFITS & LOSSES FOR THE YEAR ENDED 28 MAY 2011

	2011 £000	2010 £000
Reported profit on ordinary activities before taxation	7,068	6,731
Difference between the historical cost depreciation charge and the actual depreciation charge for the year	284	273
Historical cost profit on ordinary activities before taxation	<u>7,352</u>	<u>7,004</u>
Historical cost profit for the year after taxation	<u>5,318</u>	<u>6,161</u>

W. A. BAXTER & SONS (HOLDINGS) LIMITED

BALANCE SHEETS AT 28 MAY 2011

	Notes	Group		Company	
		2011 £000	2010 £000	2011 £000	2010 £000
Fixed assets					
Intangible assets	6	26,961	28,921	-	-
Tangible assets	7	54,584	55,076	-	-
Investments	8	15	15	637	637
		<u>81,560</u>	<u>84,012</u>	<u>637</u>	<u>637</u>
Current assets					
Stocks	10	20,487	16,974	-	-
Debtors	11	16,402	17,955	-	-
Cash at bank and in hand		1,012	3,514	12	12
		<u>37,901</u>	<u>38,443</u>	<u>12</u>	<u>12</u>
Creditors: amounts falling due within one year	12	(24,909)	(26,197)	(363)	(365)
Net current assets/(liabilities)		<u>12,992</u>	<u>12,246</u>	<u>(351)</u>	<u>(353)</u>
Total assets less current liabilities		<u>94,552</u>	<u>96,258</u>	<u>286</u>	<u>284</u>
Creditors: amounts falling due after more than one year	13	(11,426)	(16,002)	-	-
Provisions for liabilities and charges	14	(2,154)	(2,473)	-	-
Accruals and deferred income	15	(1,073)	(1,078)	-	-
Net assets excluding pension liability		<u>79,899</u>	<u>76,705</u>	<u>286</u>	<u>284</u>
Pension scheme liability (net of deferred tax)	16	(1,988)	(3,265)	-	-
Net assets including pension liability		<u><u>77,911</u></u>	<u><u>73,440</u></u>	<u><u>286</u></u>	<u><u>284</u></u>
Capital and reserves					
Called up share capital	17	637	637	637	637
Own shares held	18	(350)	(350)	(350)	(350)
Merger reserve	18	350	350	-	-
Revaluation reserve	18	18,158	18,442	-	-
Profit and loss account	18	59,116	54,361	(1)	(3)
Shareholders' funds	19	<u><u>77,911</u></u>	<u><u>73,440</u></u>	<u><u>286</u></u>	<u><u>284</u></u>

Approved by the Board for issue on 29/07/11

Audrey C Baxter DBA
Director

Company Registration No. SC233302

W. A. BAXTER & SONS (HOLDINGS) LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 28 MAY 2011

	2011 £000	2010 £000
Net cash inflow from operating activities (note 1, page 12)	7,862	15,087
Returns on investments and servicing of finance		
Interest received	15	14
Interest paid	(1,238)	(1,490)
Net cash outflow for returns on investments and servicing of finance	(1,223)	(1,476)
Taxation	(1,219)	(2,070)
Capital expenditure		
Payments to acquire tangible assets	(3,592)	(3,460)
Receipts from sales of tangible assets	22	56
Net cash outflow for capital expenditure	(3,570)	(3,404)
Purchase of subsidiary undertakings & acquired businesses net of cash acquired (note 9, page 21)	(81)	(3,215)
Equity dividends paid	(1,403)	(1,910)
Net cash inflow before financing	366	3,012
Financing		
New other loan	-	415
Repayment of bank loan	(2,744)	(2,653)
Repayment of other loan	(118)	-
Capital element of hire purchase contracts	(6)	(31)
Exercise of share options	-	12
Net cash outflow from financing	(2,868)	(2,257)
(Decrease)/increase in cash in the year	(2,502)	755

W. A. BAXTER & SONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 28 MAY 2011

1 Reconciliation of operating profit to net cash inflow from operating activities

	2011 £000	2010 £000
Operating profit	7,934	8,141
Depreciation of tangible assets	3,464	3,400
Amortisation of intangible assets	1,809	1,583
Amortisation of government grants	(49)	(49)
Gain on disposal of tangible assets	(6)	-
(Increase)/decrease in stocks	(3,510)	7,374
Decrease/(increase) in debtors	628	(1,467)
Decrease in creditors within one year	(1,055)	(1,455)
Net effect of foreign exchange differences	(648)	(1,612)
Excess of employer pension contributions over current service cost	(705)	(828)
Net cash inflow from operating activities	7,862	15,087

2 Analysis of net debt

	30 May 2010 £000	Cash flow £000	Exchange movements £000	28 May 2011 £000
Cash at bank and in hand	3,514	(2,508)	6	1,012
Bank overdrafts	(6,342)	6	325	(6,011)
	(2,828)	(2,502)	331	(4,999)
Finance leases	(8)	6	1	(1)
Bank loan	(16,063)	2,744	823	(12,496)
Other loans	(3,368)	118	151	(3,099)
	(19,439)	2,868	975	(15,596)
Net debt	(22,267)	366	1,306	(20,595)

3 Reconciliation of net cash flow to movement in net debt

	2011 £000	2010 £000
(Decrease)/increase in cash in the year	(2,502)	755
Cash outflow from movement in debt	2,868	2,269
Change in net debt resulting from cash flows	366	3,024
Net effect of foreign exchange differences	1,306	(3,922)
Other non-cash movements	-	(25)
Movement in net debt in the year	1,672	(923)
Opening net debt	(22,267)	(21,344)
Closing net debt	(20,595)	(22,267)

W. A. BAXTER & SONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 MAY 2011

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The financial statements presented are for the 52 weeks ended 28 May 2011, while the comparative information is for the 52 weeks ended 29 May 2010.

1.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and all its subsidiary undertakings which are made up to 28 May 2011. As provided by Section 408 of the Companies Act 2006, a profit and loss account is not presented for the parent company.

1.4 Turnover

Turnover represents sales invoiced, excluding value added tax. The costs of prompt payment discounts are included within interest payable.

1.5 Purchased goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on acquisitions, is capitalised and amortised on a straight line basis over 20 years, as the group considers the estimated useful life to be at least 20 years.

Negative goodwill (representing the excess of the fair value of the separable net assets acquired over the fair value of the consideration) arising on acquisitions is capitalised and amortised on a straight line basis over 5-15 years, adjusted to reflect the reversal of conditions that created the negative goodwill.

1.6 Brands

Brands represent the cost of recipes and brand names purchased. These costs are capitalised and amortised on a straight line basis over their estimated useful economic lives of 20 years.

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, less depreciation. Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Buildings	- 25 years to 50 years
Plant, equipment and vehicles	- 3 years to 25 years

1.8 Revaluation of freehold land and buildings

Interim valuations of freehold properties are conducted every three years by a qualified valuer and full valuations are conducted every five years by a qualified valuer. An interim valuation was performed during the year to 29 May 2010 with the next full valuation due during the year to 2 June 2012. The resulting surplus or deficit on book value is transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal, of such a deficit, is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

1.9 Investments

Fixed asset investments are stated at cost less provision for permanent impairment.

W. A. BAXTER & SONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 MAY 2011

1 Accounting policies (continued)

1.10 Leasing

Assets obtained under hire purchase contracts are capitalised as tangible assets and depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income as they fall due under the terms of the agreements.

1.11 Stock

Stock, which comprises finished goods, raw materials and packing materials, is valued at the lower of cost and estimated net realisable value. In the case of finished goods cost comprises materials, direct labour, and related fixed and variable production overheads. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

1.12 Pensions

The group operates a defined benefit pension scheme. In accordance with FRS 17, "Retirement benefits", the service cost of the pension provision relating to the period, together with the cost of any benefits relating to past service, is charged to the profit and loss account. A charge equal to the increase in the present value of the scheme's liabilities (because benefits are closer to settlement) and a credit equivalent to the company's long term expected return on assets (based on the market value of the scheme's assets at the start of the period) are included in the profit and loss account under 'other finance costs or other finance income'.

The difference between the market value of the assets of the scheme and the present value of accrued pension liabilities is shown as an asset or liability on the balance sheet, net of deferred taxation. Any difference between the expected return on assets and that actually achieved is recognised in the statement of total recognised gains and losses, along with differences which arise from experience or assumption changes.

Further information on pension arrangements is set out in note 16 to the accounts.

The group also operates defined contribution pension schemes. The pension costs charged in the financial statements represent the contributions payable by the group during the year.

1.13 Deferred taxation

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

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

W. A. BAXTER & SONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 MAY 2011

1 Accounting policies (continued)

1.14 Foreign currency translation

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and on foreign currency borrowings, to the extent that they hedge the group's investment in such operations, are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date or at contract rate. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. All differences are taken to the profit and loss account.

1.15 Derivative financial instruments

The group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The group does not hold or issue derivative financial instruments for speculative purposes.

For a forward exchange contract to be treated as a hedge, the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the group's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, or as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in group's financial statements.

For an interest rate swap to be treated as a hedge, the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by covering a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting new interest payable over the periods of the contracts.

1.16 Government grants

Grants are credited to deferred income. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss accounts as the related expenditure is incurred.

1.17 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

1.18 Own shares

Where the Employee Benefit Trust (EBT) purchases the company's equity share capital the consideration paid is deducted from group equity shareholders funds until the shares are disposed of. Where such shares are subsequently sold or reissued any consideration received is included in group equity shareholders funds.

2 Turnover

The total turnover of the group for the year has been derived from its principal activities.

Segmental analysis by geographical area

The analysis by geographical area of the group's turnover is set out below:

	2011 £000	2010 £000
United Kingdom	74,460	84,613
International	51,384	44,453
	<u>125,844</u>	<u>129,066</u>

No further segmental information is provided as the directors consider that disclosure of this information would be seriously prejudicial to the interest of the group.

W. A. BAXTER & SONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 MAY 2011

3	Operating profit	2011	2010
		£000	£000
	Operating profit is stated after charging:		
	Amortisation of intangible assets	1,809	1,583
	Depreciation of tangible assets	3,464	3,400
	Operating lease rentals – plant & machinery	405	469
	Operating lease rentals – other	2,045	1,933
	Fees payable to the company's auditors (see below)	181	191
	and after crediting:		
	Gain on foreign exchange transactions	(778)	(3,086)
	Gain on disposal of tangible assets	(6)	-
	Amortisation of government grants	(49)	(49)
	Fees payable to the company's auditors comprise:		
	Fees payable to the company's auditors for the audit of the company's annual accounts	7	6
	Fees payable to the company's auditors for other services:		
	- The audit of the company's subsidiaries, pursuant to legislation	83	78
	- Tax services	25	61
	- Other services	58	39
	Fees in respect of the Baxters Food Group Pension Scheme:		
	- Audit	8	7
		<u>181</u>	<u>191</u>
4	Interest payable	2011	2010
		£000	£000
	On bank loans and overdrafts	694	668
	Other interest	30	52
	Prompt payment discounts	514	770
		<u>1,238</u>	<u>1,490</u>
5	Taxation	2011	2010
		£000	£000
	Domestic current year tax		
	U.K. corporation tax	1,036	1,683
	Adjustment for prior years	(34)	1
		<u>1,002</u>	<u>1,684</u>
	Foreign corporation tax		
	Foreign corporation tax	65	21
	Adjustment for prior years	97	139
		<u>1,164</u>	<u>1,844</u>
	Current tax charge	1,164	1,844
	Deferred tax		
	Deferred tax credit current year	(341)	(31)
	Foreign deferred tax adjustment re previous year	20	(39)
	Release of deferred tax asset	894	-
	Recognition of deferred tax asset	-	(1,191)
	Deferred tax charge on pension liability	297	250
	Deferred tax adjustment re previous year	-	10
		<u>2,034</u>	<u>843</u>

W. A. BAXTER & SONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 MAY 2011

5	Taxation (continued)	2011 £000	2010 £000
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	7,068	6,731
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 27.67% (2010: 28%)	1,956	1,885
	Effects of:		
	Expenses not deductible for tax purposes	104	117
	Non taxable income	-	(134)
	Depreciation and amortisation in excess of allowances and other reliefs	418	405
	Tax losses adjustments	(1,000)	(130)
	Adjustments to previous periods	(34)	1
	Movements in provisions	4	(4)
	Rate impact of subsidiaries tax	(47)	(132)
	Foreign corporation tax – prior year	97	139
	Pension costs adjustment	(294)	(250)
	Double taxation relief	(40)	(53)
		(792)	(41)
	Current tax charge	1,164	1,844

The amount of deferred tax that has not been provided on revalued fixed assets is £4,721,000 (2010: £5,164,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

A deferred tax asset of £502,000 (2010: £255,000) has not been recognised in relation to unutilised tax losses.

6 Intangible fixed assets **Group**

	Purchased goodwill £000	Negative goodwill £000	Brands & trademarks £000	Total £000
Cost				
At 30 May 2010	35,998	(942)	1,585	36,641
Exchange adjustments	(393)	-	65	(328)
Acquisitions (note 9)	113	-	-	113
At 28 May 2011	35,718	(942)	1,650	36,426
Amortisation				
At 30 May 2010	8,314	(942)	348	7,720
Exchange adjustments	(67)	-	3	(64)
Charge for the period	1,728	-	81	1,809
At 28 May 2011	9,975	(942)	432	9,465
Net book value				
At 28 May 2011	25,743	-	1,218	26,961
At 29 May 2010	27,684	-	1,237	28,921

W. A. BAXTER & SONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 MAY 2011

7 Tangible fixed assets

Group	Freehold land and buildings £000	Leasehold land and Buildings £000	Plant, equipment and vehicles £000	Total £000
Cost or valuation				
At 30 May 2010	29,193	3,653	50,649	83,495
Exchange adjustments	259	3	(397)	(135)
Additions	478	-	2,526	3,004
Disposals	-	(18)	(154)	(172)
At 28 May 2011	29,930	3,638	52,624	86,192
Depreciation				
At 30 May 2010	-	947	27,472	28,419
Exchange adjustments	(6)	(1)	(112)	(119)
Disposals	-	(5)	(151)	(156)
Charge for the year	909	220	2,335	3,464
At 28 May 2011	903	1,161	29,544	31,608
Net book value				
At 28 May 2011	29,027	2,477	23,080	54,584
At 29 May 2010	29,193	2,706	23,177	55,076

Building valuations were performed on a depreciated replacement cost basis and land at market value at 29 May 2010. Freehold land and buildings were professionally valued by F.G. Burnett, Chartered Surveyors (United Kingdom), Suncorp Valuations Ltd, Chartered Surveyors (Canada), Frąckowiak i Wspólnicy WGB Sp. z o.o. (Poland) and Thompson May (Australia). The 28 May 2011 total comprises:

	Group	
	2011 £000	2010 £000
Valuation (29 May 2010)	29,452	29,193
Cost	478	-
	29,930	29,193

Comparable historical cost for the freehold land and buildings included at valuation:

	Group	
	2011 £000	2010 £000
Cost	21,075	20,338
Depreciation	(10,124)	(9,505)
Net book value	10,951	10,833

W. A. BAXTER & SONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 MAY 2011

7 Tangible fixed assets (continued)

Depreciation has not been charged on the following:

	Group £000
Freehold land	2,791
Assets in course of construction	178
	<u> </u>

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant, equipment and vehicles £000	Total £000
Net book values		
At 28 May 2011	6	6
At 29 May 2010	12	12
	<u> </u>	<u> </u>
Depreciation charge for the period		
28 May 2011	6	6
29 May 2010	5	5
	<u> </u>	<u> </u>

8 Fixed asset investments Group

	Unlisted investments £000	Total £000
Cost		
At 29 May 2010 and at 28 May 2011	15	15
	<u> </u>	<u> </u>
Company		
	Shares in group undertakings £000	Total £000
Cost and net book value		
At 29 May 2010 and at 28 May 2011	637	637
	<u> </u>	<u> </u>

W. A. BAXTER & SONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 MAY 2011

8 Fixed asset investments (continued)

Holdings of more than 20%

On 28 May 2011 the group held more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
Baxters Food Group Limited	Scotland	Ordinary	100
Baxters of Speyside Limited	Scotland	Ordinary	100
Gordon & Ena Baxter Limited	Scotland	Ordinary	100
Baxters Foodservice Limited	Scotland	Ordinary	100
Garner's Foods Limited	England & Wales	Ordinary	100
Baxters Scottish Seafoods Limited	Scotland	Ordinary	100
GEB Retail (Blackford) Limited	Scotland	Ordinary	100
Fonds de Cuisine Limited	Scotland	Ordinary	100
Audrey Baxter Signature Limited	Scotland	Ordinary	100
Audrey Baxter Signature Range Limited	Scotland	Ordinary	100
Audrey Baxter Limited	Scotland	Ordinary	100
Baxters Canada Inc.	Canada	Ordinary	100
Baxters Ontario Inc.	Canada	Ordinary	100
Baxters (Colchester) Limited	England & Wales	Ordinary	100
Baxters Foods Australia Pty Limited	Australia	Ordinary	100
Baxters Food Group Properties Pty Limited	Australia	Ordinary	100
Baxters Polska Sp.z.o.o	Poland	Ordinary	100
Moray Microbiological Laboratories Limited	Scotland	Ordinary "A" & "B"	100

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
Baxters Food Group Limited	Manufacture and sale of foodstuffs
Baxters of Speyside Limited	Non-trading
Gordon & Ena Baxter Limited	Non-trading
Baxters Foodservice Limited	Non-trading
Garner's Foods Limited	Non-trading
Baxters Scottish Seafoods Limited	Non-trading
GEB Retail (Blackford) Limited	Sale of retail goods and foodstuffs
Fonds de Cuisine Limited	Non-trading
Audrey Baxter Signature Limited	Dormant
Audrey Baxter Signature Range Limited	Dormant
Audrey Baxter Limited	Dormant
Baxters Canada Inc.	Manufacture and sale of foodstuffs
Baxters Ontario Inc.	Non-trading
Baxters (Colchester) Limited	Non-trading
Baxters Foods Australia Pty Limited	Manufacture and sale of foodstuffs
Baxters Food Group Properties Pty Limited	Property rental
Baxters Polska Sp.z.o.o	Manufacture and sale of foodstuffs
Moray Microbiological Laboratories Limited	Provision of microbiological laboratory services

W. A. BAXTER & SONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 MAY 2011

9 Acquisitions

On 26 February 2010, Baxters Foods Australia Pty Limited acquired the trade and selected assets and liabilities of Andrews Food Distributors Pty Limited for a consideration of £2,849,000 excluding deal fees and expenses.

During the year, the directors have reviewed the provisional fair values for the assets and liabilities acquired, and the provisional fair value of the consideration.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the group:

	Book and fair value As previously reported £'000	Adjustments £'000	Book and fair value At 28 May 2011 £'000
Fixed assets			
Intangible	559	-	559
Tangible	140	-	140
Current assets			
Stocks	212	(14)	198
Trade debtors	381	(16)	365
Total assets	<u>1,292</u>	<u>(30)</u>	<u>1,262</u>
Creditors: amounts falling due within one year			
Trade creditors	(101)	(2)	(103)
Accruals and deferred income	(32)	-	(32)
Total liabilities	<u>(133)</u>	<u>(2)</u>	<u>(135)</u>
Net assets acquired	<u>1,159</u>	<u>(32)</u>	<u>1,127</u>
Goodwill	2,056	113	2,169
	<u>3,215</u>	<u>81</u>	<u>3,296</u>
Represented by			
Cash	2,849	-	2,849
Deal fees and other expenses	366	81	447
	<u>3,215</u>	<u>81</u>	<u>3,296</u>
Net cash outflows in respect of the acquisition comprised:			
Cash consideration	<u>3,215</u>	<u>81</u>	<u>3,296</u>

W. A. BAXTER & SONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 MAY 2011

10 Stocks

	Group	
	2011 £000	2010 £000
Raw materials and consumables	2,280	2,148
Packing materials	1,790	1,437
Finished goods	16,417	13,389
	<u>20,487</u>	<u>16,974</u>

11 Debtors

	Group	
	2011 £000	2010 £000
Trade debtors	11,025	11,747
Other debtors	3,518	4,273
Prepayments and accrued income	1,859	1,935
	<u>16,402</u>	<u>17,955</u>

Included within other debtors is a deferred tax asset. The movement during the year is as follows:

	Group	
	2011 £000	2010 £000
Balance at 30 May 2010	1,240	-
Recognition of deferred tax asset	-	1,240
Exchange adjustments	(53)	-
Profit and loss account	(894)	-
Balance at 28 May 2011	<u>293</u>	<u>1,240</u>

Amounts falling due after more than one year and included in the debtors above are:

	2011 £000	2010 £000
Other debtors	<u>961</u>	<u>1,553</u>

12 Creditors: amounts falling due within one year

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Bank loans and overdrafts - secured (note 13)	9,124	9,235	-	-
Other loans	1,056	538	-	-
Net obligations under hire purchase contracts	1	8	-	-
Amounts owed to group undertakings	-	-	363	365
Trade creditors	9,931	10,265	-	-
Corporation tax	501	555	-	-
Other taxes and social security costs	406	273	-	-
Accruals and deferred income	3,890	5,323	-	-
	<u>24,909</u>	<u>26,197</u>	<u>363</u>	<u>365</u>

W. A. BAXTER & SONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 MAY 2011

13 Creditors: amounts falling due after more than one year

	Group	
	2011 £000	2010 £000
Bank loans	9,383	13,171
Other loans	2,043	2,831
	<u>11,426</u>	<u>16,002</u>
Loan maturity analysis		
In less than one year	4,169	3,430
In more than one year but not more than two years	3,814	13,755
In more than two years but not more than five years	7,612	1,632
In more than five years	-	615
	<u>15,595</u>	<u>19,432</u>
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	<u>1</u>	<u>8</u>

The bank facilities bear interest at variable rates and are repayable by instalments within 5 years.

The UK bank facilities are secured by letters of offset and cross guarantees from all non dormant group companies.

The Canadian bank facilities are secured by certain assets of Baxters Canada Inc, and by a floating charge over the assets of W.A. Baxter & Sons (Holdings) Limited and Baxters Food Group Limited.

Within other loans there is an interest free loan from Investment Quebec, repayable in 48 equal monthly instalments commencing April 2011. This loan is secured by a guarantee from W.A. Baxter & Sons (Holdings) Limited and Baxters Food Group Limited.

A further loan from The Baxter Family Trust is included within other loans. This loan is repayable on demand and bears interest at 0.75% above the Bank of Scotland base rate. The Baxter Family Trust is a related party of the group.

W. A. BAXTER & SONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 MAY 2011

14 Provisions for liabilities and charges

Group	Deferred tax liability £000
Balance at 30 May 2010	2,473
Exchange adjustments	2
Profit and loss account	(321)
Balance at 28 May 2011	<u>2,154</u>

The deferred tax liability is made up as follows:

	Group 2011 £000	2010 £000
Accelerated capital allowances	2,154	2,474
Other timing differences	-	(1)
	<u>2,154</u>	<u>2,473</u>

15 Accruals and deferred income

Group	Government grants £000
Balance at 30 May 2010	1,078
Exchange adjustments	44
Amortisation in the year	(49)
Balance at 28 May 2011	<u>1,073</u>

16 Pension costs

Defined contribution	2011 £000	2010 £000
Contributions payable for the year	<u>358</u>	<u>212</u>

Defined benefit

The group operates a funded defined benefit pension scheme. The scheme is closed to new members.

The valuation used for the FRS17 disclosures has been based on the most recent actuarial valuation and updated by an independent qualified actuary to take account of the requirements of FRS17 in order to assess the liabilities of the scheme at 28 May 2011. Scheme assets are stated at their market value at 28 May 2011.

The group paid normal contributions of £414,000 (2010: £518,000) during the period and special contributions of £754,000 (2010: £639,000). At the year end contributions of £159,000 (2010: £195,000) were included in creditors.

It has been agreed that the contribution rate for 2011/2012 will be 11.6% of pensionable salaries and will be adjusted based on actuarial advice and the group will continue to make special contributions in line with the recovery plan.

W. A. BAXTER & SONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 MAY 2011

16 Pension costs (continued)

At 28 May
2011

The principal actuarial assumptions are as follows:

Rate of increase in salaries	2.50%
Rate of increase in pensions	2.10%
Discount rate	5.30%
Inflation assumption - RPI	2.50%
- CPI	2.00%

Expected rates of return of

	2011 %	2010 %
Equities	8.4%	8.4%
Bonds - Fixed Interest	5.3%	5.5%
- Index Linked	4.5%	4.5%
Property	7.4%	7.4%
Cash	4.9%	4.9%

Demographic assumptions

The specific mortality rates used are based on the S1PA and PA92 tables adjusted to allow for the experience of scheme pensioners. The life expectancies underlying the valuation are as follows:

		2011 years	2010 years
Current pensioners (at age 65)	- males	21.1	21.0
	- females	23.7	23.6
Future pensioners (at age 65)	- males	23.0	22.9
	- females	25.6	25.5

The balance sheet position of the scheme is as follows:

	2011 £000	2010 £000
Market value of assets	37,422	32,905
Present value of obligations (fully funded)	(40,108)	(37,440)
Deficit in scheme	(2,686)	(4,535)
Related deferred tax asset	698	1,270
Net pension liability	(1,988)	(3,265)
	2011 %	2010 %
Equities	55%	58%
Bonds	36%	27%
Property	7%	7%
Cash	2%	8%

The overall expected rate of return of the scheme assets is 7.1% and has been based on the average expected return for each asset class, weighted by the amount of assets in each class. The expected return for each asset takes into account the history of past returns, and the investment managers' view of the economic outlook.

W. A. BAXTER & SONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 MAY 2011

16 Pension costs (continued)

	2011 £000	2010 £000
Movement in deficit during the year		
Deficit in scheme at 30 May 2010	(4,535)	(3,335)
Current service cost	(463)	(329)
Employer contributions	1,168	1,157
Actuarial gains/(losses) excluding other expenses and income	787	(2,094)
Net return	357	66
Deficit in scheme at 28 May 2011	<u>(2,686)</u>	<u>(4,535)</u>

During the year scheme participants contributed £251,000 (2010: £266,000), and benefits paid from the scheme amounted to £1,068,000 (2010: £948,000).

Analysis of amounts that have been charged to operating profit

	2011 £000	2010 £000
Current service cost	<u>463</u>	<u>329</u>

Analysis of amounts that have been credited to other finance income

	2011 £000	2010 £000
Expected return on pension scheme assets	2,407	2,043
Interest on pension scheme liabilities	<u>(2,050)</u>	<u>(1,977)</u>
Net return	<u>357</u>	<u>66</u>

Analysis of amounts that have been recognised in the statement of total recognised gains and losses (STRGL)

	2011 £000	2010 £000
Actual return less expected return on pension scheme assets	1,759	3,506
Actuarial gains and losses arising on the scheme liabilities	<u>(972)</u>	<u>(5,600)</u>
Actuarial gain/(loss) recognised in the STRGL	<u>787</u>	<u>(2,094)</u>

Actual return on scheme assets was a gain of £4,166,000 (2010: gain of £5,549,000).

Changes in the present value of the defined benefit obligation

	2011 £000	2010 £000
Opening defined benefit obligation	37,440	30,216
Service cost	463	329
Interest cost	2,050	1,977
Contributions by employees	251	266
Actuarial losses	972	5,600
Benefits paid	<u>(1,068)</u>	<u>(948)</u>
Closing defined benefit obligation	<u>40,108</u>	<u>37,440</u>

W. A. BAXTER & SONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 MAY 2011

16 Pension costs (continued)

Changes in the fair value of the scheme assets	2011 £000	2010 £000
Opening fair value of the scheme assets	32,905	26,881
Expected return	2,407	2,043
Actuarial gains	1,759	3,506
Contributions by employer	1,168	1,157
Contributions by employees	251	266
Benefits paid	(1,068)	(948)
	<u>37,422</u>	<u>32,905</u>

Scheme assets include property occupied by the group with a fair value of £1,158,000 (2010: £910,000).

History of experience gains and losses

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Defined benefit obligation	(40,108)	(37,440)	(30,216)	(31,606)	(34,091)
Scheme assets	37,422	32,905	26,881	30,915	30,598
Surplus/(deficits)	(2,686)	(4,535)	(3,335)	(691)	(3,493)
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Experience gains and losses on scheme liabilities:					
- amount (£000)	(72)	(376)	1,949	(1)	389

17 Share capital

	2011 £000	2010 £000
Allotted, called up and fully paid		
292,948 ordinary shares of £1 each	293	293
86,700 "A" ordinary shares of £1 each	87	87
41,500 "AA" ordinary shares of £1 each	42	42
120,800 "B" ordinary shares of £0.25 each	30	30
185,200 "BB" ordinary shares of £1 each	185	185
	<u>637</u>	<u>637</u>

All ordinary shares, with the exception of "B" ordinary shares, are regarded as one class of shares and rank pari passu with one another save for the matter of declaration and distribution of dividends where the directors have the power to declare different rates of dividend.

"B" ordinary shares carry no voting rights and are subject to specific requirements in relation to the sale and transfer of shares.

W. A. BAXTER & SONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 MAY 2011

18 Statement of movement on reserves

Group	Own shares held £000	Merger reserve £000	Revaluation reserve £000	Profit and loss account £000
Balance at 30 May 2010	(350)	350	18,442	54,361
Profit for the period	-	-	-	5,034
Dividends paid	-	-	-	(1,403)
Actuarial gain on pension scheme (net)	-	-	-	513
Foreign currency translation differences	-	-	-	327
Difference between historical cost depreciation charge and actual depreciation charge	-	-	(284)	284
Balance at 28 May 2011	<u>(350)</u>	<u>350</u>	<u>18,158</u>	<u>59,116</u>
Company			Own shares held £000	Profit and loss account £000
Balance at 30 May 2010			(350)	(3)
Profit for the period			-	1,405
Dividends paid			-	(1,403)
Balance at 28 May 2011			<u>(350)</u>	<u>(1)</u>

Own shares held represent the cost of the company's "B" ordinary shares held by the EBT. The objective of the EBT is to maintain a market in the shares of the company. The EBT which is financed by the group, purchases shares as they become available and sells at market value to employees.

The costs of administering the fund are also borne by the group.

At 28 May 2011 the EBT held 116,800 "B" Ordinary shares of £0.25 in the Company. Of these shares at 28 May 2011 8,000 shares (2010: 15,500) were under option to two (2010: one) employees at £3 per share.

19 Reconciliation of movement in shareholders' funds

Group	2011 £000	2010 £000
Profit for the financial year	5,034	5,888
Dividends	(1,403)	(1,910)
	<u>3,631</u>	<u>3,978</u>
Other recognised gains and losses	840	2,836
Net addition to shareholders' funds	<u>4,471</u>	<u>6,814</u>
Opening shareholders' funds	73,440	66,626
Closing shareholders' funds	<u>77,911</u>	<u>73,440</u>

W. A. BAXTER & SONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 MAY 2011

19 Reconciliation of movement in shareholders' funds (continued)

Company	2011 £000	2010 £000
Profit for the financial year	1,405	1,908
Share issue	-	12
Dividends paid	(1,403)	(1,910)
Net addition to shareholders' funds	2	10
Opening shareholders' funds	284	274
Closing shareholders' funds	286	284

20 Guarantees

The company and its subsidiary undertaking, Baxters Food Group Limited, have provided a guarantee in respect of bank overdraft facilities and other loans of fellow group undertaking, Baxters Canada Inc. The value of the loan outstanding at 28 May 2011 was £2,744,000 (2010: £9,296,000).

21 Financial commitments

At 28 May 2011 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2011 £000	2010 £000	2011 £000	2010 £000
Expiry date:				
Within one year	601	76	211	192
Between two and five years	253	634	450	486
In over five years	603	863	-	-
	1,457	1,573	661	678

22 Capital commitments

	Group	
	2011 £000	2010 £000
Contracted for but not provided in the financial statements	340	1,098

W. A. BAXTER & SONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 MAY 2011

23 Derivatives not included at fair value

The group uses derivatives which are not included at fair value in the accounts:

	Principal £000	Fair value £000
Forward foreign exchange contracts	6,575	6,649

The group uses the derivatives to hedge its exposures to changes in foreign exchange rates arising from foreign currency purchases. The fair values are based on market values of equivalent instruments at the balance sheet date.

24 Directors' emoluments

	2011 £000	2010 £000
Emoluments for qualifying services	889	977
Fees	88	100

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 3 (2010: 3).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	480	642
Accrued pension at the end of the year	86	84

W. A. BAXTER & SONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 MAY 2011

25 Employees

Group

Number of employees

The average monthly number of employees (including directors) during the year was:

	2011 Number	2010 Number
Direct	333	392
Others	592	563
	<u>925</u>	<u>955</u>
Employment costs	£000	£000
Wages and salaries	21,855	20,867
Social security costs	1,948	2,040
Pension costs	842	541
	<u>24,645</u>	<u>23,448</u>

In addition to the pension costs included within operating costs, as disclosed in the notes above, there was other finance income of £357,000 (2010: £66,000) and gains recognised in the statement of total recognised gains and losses of £787,000 (2010: losses of £2,094,000).

Company

The company has no employees. The executive directors are employees of Baxters Food Group Limited, a subsidiary undertaking, and their salary costs are borne by that company.

26 Control

The company is controlled by the directors.

27 Post balance sheet events

The Directors have proposed a final dividend in respect of year ended 28 May 2011 amounting to £1,500,000 (2010: £1,500,000). This will be recommended to the shareholders at the company's Annual General Meeting.

28 Related party transactions

The company has taken advantage of paragraph 3(c) of FRS8 (Related Party Disclosures) which allows exemption from disclosure of related party transactions with other group companies where the parent company owns 100% of the issued share capital.

During the year the group leased a property from the Baxters Food Group Pension Scheme. The rent payable by the group during the year ended 28 May 2011 was £73,855 (2010: £74,288). In addition, property recharges from the Scheme amounted to £26,822 (2010: £44,022). The balance due to the Scheme at the year end was £43,227 (2010: £nil).

At the year end, Baxters Food Group Limited was due £355,000 (2010: £415,000) to The Baxter Family Trust, a shareholder of the group. During the year £60,000 was repaid to the Trust. The loan bears interest of 0.75% above the Bank of Scotland base rate and is repayable on demand.