



**PAN BRITANNICA INDUSTRIES LIMITED**

**Report and Financial Statements**

**For the six months ended 30 June 1997**

**Deloitte & Touche  
Hill House  
1 Little New Street  
London EC4A 3TR**



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**REPORT AND FINANCIAL STATEMENTS 1997****OFFICERS AND PROFESSIONAL ADVISERS****DIRECTORS**

J C W Tear	(Resigned 27 May 1997)
T Izuta	(Resigned 24 October 1997)
K Echigoya	
B L Rea	(Resigned 31 January 1997)
M A Nash	(Resigned 27 May 1997)
S J Crosland	(Resigned 10 January 1997)
M Shibahara	
T Kabuto	
K Kishimoto	(Resigned 12 August 1997)
J S Wilson	(Appointed 14 July 1997)
P A Newbitt	(Appointed 30 October 1997)
K Kohno	(Appointed 28 November 1997)
H Kudo	(Appointed 29 September 1997)
Y Oda	(Appointed 12 August 1997, resigned 28 November 1997)
J Stratford	(Appointed 6 April 1998)

**SECRETARY**

David Pegg

**REGISTERED OFFICE**

Access Point  
Martinbridge Trading Estate  
Enfield  
Middlesex EN1 1SP

**BANKERS**

Barclays Bank PLC  
Broadgate Business Centre  
155 Bishopsgate  
London EC2M 3XA

Midland Bank plc  
36 Highbridge Street  
Waltham Abbey  
Essex EN9 1BT

**SOLICITORS**

Gibby Harrison  
Goffs Oak House  
Goffs Lane  
Cheshunt

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Hill House  
1 Little New Street  
London EC4A 3TR

## **DIRECTORS' REPORT**

The Directors present their annual report and the audited financial statements for the six months ended 30 June 1997.

## **ACCOUNTS, DIVIDENDS AND TRANSFERS TO RESERVES**

The accounts for the six months period show a loss after taxation of £2,270,000 (year ended 1996 profit: £100,000) the Directors recommend that no dividend should be paid, leaving a loss carried forward of £5,748,000. Please refer to Subsequent Events.

## **ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS**

The Company has changed its year end from 31 December to 30 June to better reflect seasonality of its business.

During the six months the Company has continued to distribute, horticultural, garden and other allied products.

Trading conditions in the amateur garden market continued to be difficult mainly due to severe adverse weather conditions and price pressures applied by retailers following further consolidation of this sector. The financial results were further adversely affected by necessary provisions relating to trading activities prior to the end of 1996.

On 16 September 1997 the Pesticide Safety Directorate, a department of the Ministry of Agriculture, Fisheries and Foods, issued the Company with a notice to recall all Bio Mosskiller concentrate product both from the retail trade and from consumers following a reclassification of the product's potential to cause eye irritation. The Company has by way of exceptional item (see Note 3 to the Accounts) provided £403,000 in respect of all costs associated with the product recall.

## **RESEARCH AND DEVELOPMENT**

Company continues to be involved in research and development of garden chemicals and DIY products.

## **SUBSEQUENT EVENTS**

As discussed more fully in Note 17 to the Accounts, subsequent to the period end the Company entered into a series of approved transactions resulting in the elimination of its Share Premium Account, namely

	£'000
Cancellation of the balance to Profit and Loss Account as at 1 January 1997	3,478
Buy-back of own shares, at issued price resulting in reverse Share Premium	6,252
Paying up in full the issue of 2,000,000 Ordinary Shares of £1 each	2,000
	<u>11,730</u>

## **DIRECTORS**

In accordance with the Articles of Association the Directors retire and, being eligible, offer themselves for re-election.

## **DONATIONS**

During the six months the Company made no donations for charitable purposes.

**DIRECTORS' REPORT****EMPLOYEE INVOLVEMENT**

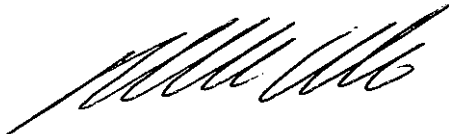
The Company maintains established channels for communication and consultation with employees. These include a Bi-monthly newspaper, notice boards, a health and safety committee, various working parties and a year end report by the Managing Director to the employees. Involvement in the Company's performance is encouraged by bonus and suggestion schemes.

**AUDITORS**

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

H Kudo  
Director



30 APRIL 1998

**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 as at the end of the financial year 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;
- 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.



## Chartered Accountants

Deloitte & Touche  
Hill House  
1 Little New Street  
London EC4A 3TR

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International + 44 171 936 3000  
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Fax (Gp. 3): 0171 583 8517  
LDE: DX 599

## PAN BRITANNICA INDUSTRIES LIMITED

### AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 17 which have been prepared under the accounting policies set out on page 8.

#### Respective responsibilities of directors and auditors

As described on page 4 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### Basis of opinion

We conducted our audit in accordance with 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 30 June 1997 and of its result for the six months then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and  
Registered Auditors

30 April 1998


**PROFIT AND LOSS ACCOUNT**  
**Six months ended 30 June 1997**

	Note	Six months ended 30 June 1997 £'000	Activities 1996 £'000		Year ended 31 December 1996 £'000
			Continuing	Discontinued	
<b>TURNOVER</b>	2	5,952	10,247	10,438	20,685
Decrease in stocks of finished goods, work in progress and goods for resale		(298)	(1,119)	-	(1,119)
Gross profit		5,654	9,128	10,438	19,566
<b>OPERATING COSTS</b>	3	(7,627)	(12,201)	(9,353)	(21,554)
<b>OPERATING (LOSS)/PROFIT</b>	4	(1,973)	(3,073)	1,085	(1,988)
Exceptional profit on disposal of fixed assets	7	-			2,884
Interest receivable		-			6
		(1,973)			902
Interest payable	6	(297)			(802)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(2,270)			100
Taxation	8	-			-
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(2,270)			100
Retained loss brought forward		(3,478)			(3,578)
Loss carried forward		(5,748)			(3,478)

There are no gains or losses or other movements in shareholders' funds attributable to the members of the Company other than those stated above.


**BALANCE SHEET**
**30 June 1997**

	Note	As at 30 June 1997 £'000	As at 31 December 1996 £'000
<b>FIXED ASSETS</b>			
Intangible assets	9	637	637
Tangible assets	10	399	330
<b>CURRENT ASSETS</b>			
Stocks	12	2,031	2,329
Debtors	13	3,635	5,720
Amounts owed by group fellow subsidiaries		16,561	14,671
Amounts owed by parent		-	-
Cash at bank and in hand		4	4
		<u>22,231</u>	<u>22,724</u>
<b>CREDITORS: amounts falling due within one year</b>			
Bank loan and overdrafts		9,614	5,267
Trade and other creditors	14	1,601	602
Amounts owed to fellow subsidiaries		4,500	8,000
		<u>15,715</u>	<u>13,869</u>
<b>NET CURRENT ASSETS</b>		<u>6,516</u>	<u>8,855</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>7,552</u>	<u>9,822</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16, 17	1,570	1,570
Share premium account	17	11,730	11,730
Profit and loss account	17	(5,748)	(3,478)
<b>SHAREHOLDERS' FUNDS</b>		<u>7,552</u>	<u>9,822</u>
<b>Attributable to Equity shareholders</b>		<u>5,552</u>	<u>7,822</u>
<b>Attributable to Non-Equity shareholders</b>		<u>2,000</u>	<u>2,000</u>

 These financial statements were approved by the Board of Directors on *30 APRIL* 1998.

Signed on behalf of the Board of Directors

 H Kudo  
Director

**NOTES TO THE ACCOUNTS**  
**Six months ended 30 June 1997****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Depreciation**

No depreciation is provided on freehold land. The costs of other fixed assets are written off over their estimated effective lives on the bases and at the rates set out below:

Freehold Buildings	-	Straight line basis at 5% p.a.
Leasehold Property	-	Straight line basis over the term of the leases
Plant and Machinery	-	Straight line basis at 10%
Computer Equipment	-	Straight Line basis at 20% p.a.
Motor Vehicles	-	Reducing balance basis at 33.1/3% p.a.

**Intangible Assets: Goodwill, Patents and Trademarks**

The costs of goodwill, patents and trademarks if not material are written-off in the year in which they are incurred. Material amounts are written off on a straight line basis over the estimated useful lives of the assets as follows:

Goodwill and Trademarks	-	10 years
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**Stocks**

Stocks are valued on a "first in, first out" basis at the lower of cost and net realisable value.

**Research and Development**

Expenditure on research and development is written off against profits in the year in which it is incurred except to the extent that specific projects are considered to have a high probability of being marketable at acceptable profitability. In these cases, development costs are carried forward until product sales start and are then amortised over five years or the life of the product, whichever is the shorter. This represents a change of accounting policy where previously all expenditure was written off when incurred. There is no material effect on the loss for the period or the profit of the prior year as a result of this change.

**Deferred Taxation**

Deferred taxation is provided on timing differences arising from the different treatment of items for accounting and taxation purposes, to the extent that they are expected to reverse in the future, calculated at the rates at which it is expected that reversal will occur.

**Leased Assets**

Rentals in respect of operating leases are charged to the profit and loss account when incurred.

**Pension and Other Post Retirement Benefits**

The expected cost of providing pensions and other post retirement benefits, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme operated by the Company in such a way that the pension cost is a substantially level percentage of current and expected pensionable payroll.

**Cash Flows**

The Company has adopted FRS1 (revised) Cashflow Statements and has taken advantage of the exemption granted by paragraph 5.


**NOTES TO THE ACCOUNTS**
**Six months ended 30 June 1997**
**2. TURNOVER**

Turnover represents the net invoiced amount of goods sold and services provided excluding Value Added Tax.

An analysis of turnover by geographical market is given below:-

	Six months ended 30 June 1997 £'000	Year ended 31 December 1996 £'000
UK Home	5,676	18,463
UK Export	276	2,222
	<u>5,952</u>	<u>20,685</u>

**3. OPERATING COSTS**

	Six months ended 30 June 1997 £'000	Year ended 31 December 1996 £'000
Materials and consumables	4,587	9,615
Staff costs: Wages and salaries	617	5,070
Social Security cost	54	430
Other pensions costs	36	(206)
Re-organisation costs	-	539
Withdrawal of Bio Mosskiller concentrate	403	-
Depreciation of tangible fixed assets	15	657
Amortisation of intangible fixed assets	50	97
Other charges	1,865	5,352
	<u>7,627</u>	<u>21,554</u>

On 16 September 1997 the Pesticide Safety Directorate, a department of the Ministry of Agriculture, Fisheries and Foods issued the Company with a notice to recall all Bio Mosskiller concentrate product both from the retail trade and consumers following the reclassification of the product's potential to cause eye irritation. The Company has provided £403,000 in respect of all costs associated with the product recall.


**NOTES TO THE ACCOUNTS**
**Six months ended 30 June 1997**
**4. OPERATING LOSS**

This is stated after charging:

	Six months ended 30 June 1997 £'000	Year ended 31 December 1996 £'000
Auditor' Remuneration:		
Audit services	15	25
Other services	-	12
Other Overheads:		
Hire of plant and machinery under operating leases	115	568
Leasehold property rents	100	168
Directors' Emoluments:		
Fees and other emoluments, including pension contributions	32	326
Directors' emoluments, excluding pension contributions:	31	302

Contributions to pension schemes have been made for three directors (1996 - three).

**5. EMPLOYEES**

The average number of persons employed by the Company, including Directors:

	Six months ended 30 June 1997 £'000	Year ended 31 December 1996 £'000
Management and administration	50	158
Production	-	86
	<u>50</u>	<u>244</u>


**NOTES TO THE ACCOUNTS**  
**Six months ended 30 June 1997**
**6. INTEREST PAYABLE**

	Six months ended 30 June 1997 £'000	Year ended 31 December 1996 £'000
Bank loans and overdrafts	155	344
Loans from parent company and fellow subsidiary	142	458
	<u>297</u>	<u>802</u>

**7. EXCEPTIONAL PROFIT ON DISPOSAL OF FIXED ASSETS**

In selling its interest in its agrochemical, distribution, manufacturing and contract packing businesses to pbi Agrochemicals Limited during the prior year, the Company reflected estimated market values for its freehold properties, as determined by professionally qualified surveyors and realistic asset lives for its plant and equipment. This resulted in a profit on disposal of £2,884,000 in 1996 accounts.

**8. TAXATION**

Tax credit was not recognised due to SSAP 15 not recognising deferred tax asset on tax losses.

**9. INTANGIBLE FIXED ASSETS**

	Goodwill and Trademarks £'000	Product Develop- ment £'000	Total £'000
Cost			
At 1 January 1997	996	107	1,103
Additions	-	50	50
	<u>996</u>	<u>157</u>	<u>1,153</u>
At 30 June 1997			
	<u>996</u>	<u>157</u>	<u>1,153</u>
Amortisation:			
At 1 January 1997	466	-	466
Provided during the six months	50	-	50
	<u>516</u>	<u>-</u>	<u>516</u>
At 30 June 1997			
	<u>516</u>	<u>-</u>	<u>516</u>
Net book value:			
At 30 June 1997	<u>480</u>	<u>157</u>	<u>637</u>
At 31 December 1996	<u>530</u>	<u>107</u>	<u>637</u>


**NOTES TO THE ACCOUNTS**  
**Six months ended 30 June 1997**
**10. TANGIBLE FIXED ASSETS**

	<b>Land and buildings £'000</b>
Cost	
At 1 January 1997	330
Additions	84
At 30 June 1997	<u>414</u>
Depreciation:	
At 1 January 1997	-
Provided during the six months	15
At 30 June 1997	<u>15</u>
Net book value	
At 30 June 1997	<u>399</u>
At 31 December 1996	<u>330</u>

The net book value of land and buildings comprises:

	<b>30 June 1997 £'000</b>	<b>31 December 1996 £'000</b>
Short leasehold	<u>399</u>	<u>330</u>

**11. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS**

	<b>30 June 1997 £'000</b>	<b>31 December 1996 £'000</b>
Ordinary Shares at cost, less:	1	1
Written off	(1)	(1)
Carrying value	<u>-</u>	<u>-</u>

The subsidiary undertakings, all the issued ordinary share capitals of which are wholly owned by the Company, are all dormant.

Registered in England and Wales:

Plantcare Limited  
 Petcare (UK) Limited  
 pbi Home and Garden Products Limited  
 pbi Publications Limited  
 pbi (UK) Limited  
 Incorporated in Australia:-  
 pbi Australia Pty Limited

On 23 December 1996 the Company transferred its share holding in pbi Agrochemicals Limited to Summit Agro Europe Limited at nominal value.



**NOTES TO THE ACCOUNTS**  
**Six months ended 30 June 1997**

**11. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (continued)**

Group accounts are not prepared as the Company is a wholly owned subsidiary undertaking of another company registered in England and Wales. Accordingly, these financial statements give information about the Company as an individual undertaking and not about its group.

In the opinion of the Directors, the net aggregate value of the subsidiaries is not less than the amount at which these investments are included in the Balance Sheet.

**12. STOCKS**

	<b>30 June 1997 £'000</b>	<b>31 December 1996 £'000</b>
Finished goods and goods for resale	<u>2,031</u>	<u>2,329</u>

Replacement cost is considered not to be materially different from the carrying value of stock shown above.

**13. DEBTORS**

	<b>30 June 1997 £'000</b>	<b>31 December 1996 £'000</b>
Trade debtors	3,257	5,327
Other debtors	242	249
Prepayments and accrued income	136	144
	<u>3,635</u>	<u>5,720</u>

Other debtors and prepayments include £250,000 payable after more than one year.

**14. TRADE AND OTHER CREDITORS**

	<b>30 June 1997 £'000</b>	<b>31 December 1996 £'000</b>
Trade creditors	875	579
Accruals and provisions	726	23
	<u>1,601</u>	<u>602</u>


**NOTES TO THE ACCOUNTS**  
**Six months ended 30 June 1997**
**15. DEFERRED TAXATION**

	30 June 1997 £'000	31 December 1996 £'000
Capital allowances in advance of depreciation	17	272
Other		(50)
Relief for losses and other timing differences	(17)	(222)
	<u>-</u>	<u>-</u>

In accordance with SSAP 15 deferred tax asset has not been recognised in the accounts.

**16. CALLED UP SHARE CAPITAL**

	<b>Authorised</b>		<b>Allotted called up and fully paid</b>	
	30 June 1997 £'000	31 December 1996 £'000	30 June 1997 £'000	31 December 1996 £'000
Ordinary shares of £1 each	2,750,000	2,750,000	1,550,000	1,550,000
20,000 redeemable preference shares of £1 each	20,000	20,000	20,000	20,000
	<u>2,770,000</u>	<u>2,770,000</u>	<u>1,570,000</u>	<u>1,570,000</u>

The rights attached to the preference shares are as follows:

- (i) Dividends are payable at the discretion of the Directors;
- (ii) they are redeemable at a time to be determined by the Directors subject to a period of six months elapsing after allotment and the Company giving three months' notice in writing of the intention to redeem the shares;
- (iii) the shares were issued at and are redeemable at a premium of £99.00 per share.


**NOTES TO THE ACCOUNTS**  
**Six months ended 30 June 1997**
**17. SUBSEQUENT EVENTS**

- (i) On 30 July 1997, in accordance with s.135 - s.138 Companies Act 1985 the High Court confirmed the Company's Special Resolution passed on 17 June 1997 to reduce the Share Premium Account by £3,478,000 by way of cancelling the opening balance of the Company's Profit and Loss Account as at 1 January 1997.
- (ii) On 16 October 1997 the Company acquired 6,822,000 newly issued Ordinary Shares of £1 each in pbi Agrochemicals Limited for £6,822,000 and immediately sold the same shares to Summit Agro Europe Limited for £6,822,000.
- (iii) On 16 October 1997 the Company, by way of Special Resolution, approved the purchase of 550,000 Ordinary Shares of £1 each and 20,000 Preference Shares of £1 each in the company for £6,822,000 being their original issued value, thereby resulting in the reduction of the Share Premium account by £6,252,000.
- (iv) On 20 October 1997 the Company, by way of Special Resolution, applied the balance of its Share Premium Account being £2,000,000 in paying up in full the issue of 2,000,000 Ordinary Shares of £1 each in the Company.

**18. FINANCIAL COMMITMENTS**

	30 June 1997 £'000	31 December 1996 £'000
Capital expenditure contracted but not provided for	-	278

The annual commitment under non-cancellable operating leases was as follows:

	Land and buildings		Plant and machinery	
	30 June 1997 £'000	31 December 1996 £'000	30 June 1997 £'000	31 December 1996 £'000
Leases expiring:				
Within one year	-	168	36	50
Within two to five years	-	-	-	357
Thereafter	200	-	138	-
	<u>200</u>	<u>168</u>	<u>174</u>	<u>407</u>


**NOTES TO THE ACCOUNTS**  
**Six months ended 30 June 1997**
**19. PARTICULARS OF TRANSACTIONS INVOLVING DIRECTORS AND OTHERS**

There were no transactions involving Directors during the six months (Year ended 1996 - none).

**20. PENSION COMMITMENTS**

Pbi operates a pension scheme providing benefits based on final pensionable salaries. The assets of the Scheme are held in a separate trustee-administered fund. Contributions to the Scheme are charged to the profit and loss account such that the cost of pensions is spread over employees' working lives with the Company. The contributions are determined by an independent qualified actuary on the basis of triennial valuations. The last valuation was as at 1 October 1994 using the projected unit method. In that valuation, the principal actuarial assumptions adopted were that the long term annual rate of return on investments would be 9%, annual dividend increases would be 4.5%, the average annual increase in pensionable salaries would be 8% and that annual increase to pensions in payment would be the lesser of 5% or the annual increase in RPI. At that valuation, the market value of the Scheme's assets was £10,099,000 and the actuarial value of these assets represented 105% of the benefits that had accrued to members allowing for future increases in pensionable salaries.

This pension cost has been determined on a different set of actuarial assumptions from those set out above. These assumptions are as follows:

	% per annum
Investment return	9.5
Salary increases	7.0
Pension increases	4.5
Dividend growth	5.0
	<hr/>

The pension charge for 1997 is £36,000 which is made up as follows:

	Six months ended 30 June 1997 £'000
Regular cost	56
Variation cost	(20)
	<hr/>
Total disclosed cost	36
	<hr/>

**NOTES TO THE ACCOUNTS****Six months ended 30 June 1997****21. ULTIMATE PARENT AND CONTROLLING UNDERTAKING**

The ultimate parent and controlling undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member is Sumitomo Corporation, incorporated in Japan, and the parent undertaking of the smallest such group is Summit Agro Europe Limited, registered in England and Wales. This company changed its name from Summit Agro Holdings Limited on 12 March 1997.

Copies of the Summit Agro Europe Limited's accounts can be obtained from the Registrar of Companies, Crown Way, Maindy, Cardiff, CF4 3UZ.

Copies of the accounts of the Sumitomo Corporation of Japan can be obtained from Sumitomo Corporation, Sumisho Nishikicho Building, 11-1 Kandanishikicho 3-chome, Chiyoda-ku, Tokyo 101, Japan.

**22. RELATED PARTIES**

The Company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard 8, Related Party Disclosure not to disclose details of transactions with Sumitomo Corporation group of undertakings.