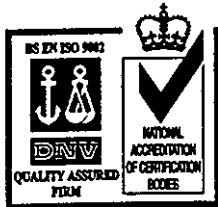


GRAIN HARVESTERS LTD



The Old Colliery, Wingham
Nr. Canterbury, Kent CT3 1LS
Tel: 01227 720374
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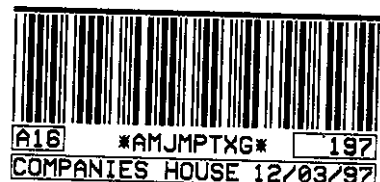
**QUALITY ANIMAL FEED MANUFACTURERS
CENTRALISED GRAIN STORE OPERATORS**



Grain Harvesters Limited

425039

Annual report
for the year ended 30 June 1996



Grain Harvesters Limited

Annual report for the year ended 30 June 1996

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Grain Harvesters Limited

Directors and advisers

Directors

| | |
|----------------------|---------------------------------------|
| M J Twyman | (Chairman) |
| F McLean Hayward | (Vice chairman died 6 September 1996) |
| R H Miles | (Vice chairman) |
| B C Maxted FICAM | (Managing director) |
| J E Trainer NDA | (Sales director) |
| A C Hulme | |
| R J Baker White | |
| D C Elgar | |
| W R N Tapp | |
| W J Wilson-Haffenden | |

Company secretary

A S Gilson

Registered auditors

Reeves & Neylan
37 St Margarets Street
Canterbury
Kent CT1 2TU

Bankers

Lloyds Bank plc
49 High Street
Canterbury
Kent CT1 2SE

Solicitors

Furley Page Fielding & Barton
39 St Margarets Street
Canterbury
Kent CT1 2TX

Grain Harvesters Limited

Directors' report for the year ended 30 June 1996

The directors submit their report and financial statements for the year ended 30 June 1996.

Results and dividends

The profit for the year, after taxation, amounted to £196,866.

The directors recommend a final ordinary dividend of 55p per share amounting to £43,950.

Review of the business

The company's principal activities during the year continue to be those of grain drying and storage, grain marketing and the manufacture of compound animal feeds.

Market value of freehold land and buildings and fixed plant

The company's interest in freehold land and buildings and for fixed plant were valued by E D Chantler FRICS of Messrs Hobbs Parker on 3 November 1995 at which date the open market valuation amounted to £2.5 million.

Future developments

Excellent trading conditions at the start of the year under review were later affected by new development start-up costs and the consequences of the BSE crisis causing a reduction in agricultural feed sales in the latter part of the year. Nevertheless taking the year as a whole agricultural feed sales increased by 10% compared to the previous year, a new record for the company.

Increased turnover was also achieved in Cash and Carry and specialist feeds. Harvest volumes helped to offset a low harvest drying revenue resulting in a satisfactory performance for the granary and grain marketing operations.

As indicated in last year's report the company has undertaken a large capital investment programme which has improved the efficiency of animal feed production. A new extrusion line is currently being commissioned to provide additional production facilities for specialist feeds.

The 1996 harvest produced a record throughput in the granary. The new storage facilities were fully utilised and generated increased revenue for the company.

The current year continues to be affected by the BSE crisis and the costs of commissioning new plant and equipment. However the Board are confident that sound foundations are being laid for the future.

Grain Harvesters Limited

Directors' report for the year ended 30 June 1996

Directors and their interests

The directors at 30 June 1996 and their interests in the share capital of the company were as follows:-

| | 30 June 1996 | 1 July 1995 |
|-----------------------------------|--------------|-------------|
| Ordinary shares of £1 each | | |
| M J Twyman | 11,957 | 11,957 |
| F McLean Hayward | 2,850 | 2,850 |
| B C Maxted | 650 | 650 |
| J E Trainer | 150 | 100 |
| A C Hulme | 10,467 | 10,467 |
| R J Baker White | 1,009 | 1,009 |
| D C Elgar | 400 | 400 |
| R H Miles | 7,628 | 7,628 |
| W R N Tapp | 200 | - |

Sadly the directors have to report the death of F McLean Hayward on 6 September 1996.

On 24 October 1996 W J Wilson-Haffenden was appointed a director by the board. His appointment is to be ratified by the members at the next Annual General Meeting.

In accordance with the articles of association, R J Baker White, M J Twyman and J E Trainer retire by rotation, and being eligible, offer themselves for re-election.

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 and loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- 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

A resolution to reappoint Messrs Reeves & Neylan as auditors will be put to the members at the annual general meeting.

By order of the board



A S Gilson
Company Secretary
18 December 1996

Report of the auditors to the shareholders of Grain Harvesters Limited

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the 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.

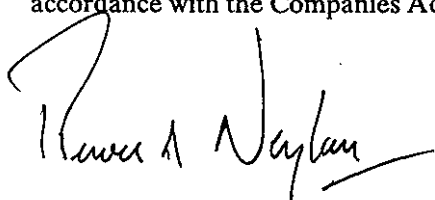
Basis of opinion

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 the 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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Reeves & Neylan
Chartered Accountants and Registered Auditors
Canterbury
23 December 1996

Grain Harvesters Limited**Profit and loss account
for the year ended 30 June 1996**

| | Note | 1996 £ | £ | 1995 £ | £ |
|--|------|-----------------|-------------------|-----------------|-------------------|
| Turnover | 1 | | 12,322,874 | | 10,046,664 |
| Increase in stocks | | | 228,820 | | 319,346 |
| | | | <u>12,551,694</u> | | <u>10,366,010</u> |
| Purchases | | 10,455,952 | | 8,349,081 | |
| Staff costs | 2 | 841,810 | | 734,025 | |
| Depreciation | | 257,729 | | 224,728 | |
| Other operating charges | | <u>696,432</u> | | <u>669,569</u> | |
| | | | (12,251,923) | | (9,977,403) |
| Operating profit | 3 | | 299,771 | | 388,607 |
| Interest receivable | 4 | 15,918 | | 12,927 | |
| Interest payable | 5 | <u>(42,137)</u> | | <u>(31,354)</u> | |
| | | | (26,219) | | (18,427) |
| Profit on ordinary activities before taxation | | | 273,552 | | 370,180 |
| Tax on profit on ordinary activities | 6 | | (76,686) | | (96,616) |
| Profit on ordinary activities after taxation | | | <u>196,866</u> | | <u>273,564</u> |
| Dividends | 7 | | (43,950) | | (43,950) |
| Retained profit on ordinary activities | 16 | | <u>152,916</u> | | <u>229,614</u> |

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 8 to 15 form part of these accounts.

Grain Harvesters Limited

Balance sheet
at 30 June 1996

| | Note | 1996 £ | £ | 1995 £ | £ |
|---|------|--------------------|-------------------------|------------------|-------------------------|
| Fixed assets | | | | | |
| Tangible assets | 8 | | 1,654,606 | | 1,251,397 |
| Current assets | | | | | |
| Stocks | 9 | 1,009,690 | | 780,870 | |
| Debtors | 10 | 1,413,896 | | 1,262,326 | |
| Cash at bank and in hand | | 165 | | 201 | |
| | | <u>2,423,751</u> | | <u>2,043,397</u> | |
| Creditors: amounts falling due within one year | 11 | <u>(1,547,340)</u> | | <u>(937,446)</u> | |
| Net current assets | | | 876,411 | | 1,105,951 |
| Total assets less current liabilities | | | <u>2,531,017</u> | | <u>2,357,348</u> |
| Provision for liabilities and charges | | | | | |
| Deferred taxation | 14 | | (182,415) | | (161,662) |
| Net assets | | | <u><u>2,348,602</u></u> | | <u><u>2,195,686</u></u> |
| Capital and reserves | | | | | |
| Called up share capital | 15 | | 79,910 | | 79,910 |
| Capital redemption reserve | 16 | | 2,490 | | 2,490 |
| Grain stock or quality deficiency reserve | 16 | | 40,000 | | 40,000 |
| Profit and loss account | 16 | | 2,226,202 | | 2,073,286 |
| Shareholders' funds | 17 | | <u><u>2,348,602</u></u> | | <u><u>2,195,686</u></u> |

The financial statements were approved by the board of directors on 18 December 1996 and signed on their behalf by:-



B C Maxted
Director

The notes on pages 8 to 15 form part of these accounts.

Grain Harvesters Limited

Cash flow statement for the year ended 30 June 1996

| | Note | 1996 £ | £ | 1995 £ | £ |
|---|------|-----------|-----------|-----------|-----------|
| Net cash inflow from operating activities | 19 | | 186,083 | | 142,705 |
| Returns on investments and servicing of finance | | | | | |
| Interest received | | 15,918 | | 12,927 | |
| Interest paid | | (38,448) | | (27,665) | |
| Interest element of finance lease repayments | | (3,689) | | (3,689) | |
| Dividends paid | | (43,950) | | (37,558) | |
| Net cash outflow from returns on investments and servicing of finance | | | (70,169) | | (55,985) |
| Taxation | | | | | |
| Corporation tax paid | | | (112,975) | | (76,176) |
| Investing activities | | | | | |
| Tangible fixed assets purchased | | (585,768) | | (125,326) | |
| Sales of tangible fixed assets | | 2,300 | | 19,123 | |
| Net cash outflow from investing activities | | | (583,468) | | (106,203) |
| Net cash outflow before financing | | | (580,529) | | (95,659) |
| Financing | | | | | |
| Capital element of finance lease repayments | 22 | (13,459) | | (13,459) | |
| Net cash outflow from financing | | | (13,459) | | (13,459) |
| Decrease in cash and cash equivalents | 20 | | (593,988) | | (109,118) |

The notes on pages 8 to 15 form part of these accounts.

Grain Harvesters Limited

Principal accounting policies

These financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The accounts are prepared under the historical cost convention.

Tangible fixed assets and depreciation

The cost of fixed assets (net of capital grants received) except freehold land are written off in equal annual instalments over their anticipated useful lifetime.

The anticipated useful lifetime for each category of fixed asset is:-

| | | |
|---------------------------------|-------------------|-----------------|
| Freehold buildings | - dwelling houses | - 50 years |
| | - other premises | - 30 years |
| Plant and machinery | | - 5 to 15 years |
| Office and laboratory equipment | | - 5 years |
| Vehicles | - commercial | - 6 years |
| | - motor cars | - 4 years |

Assets under construction are depreciated when complete and in use.

Stocks

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

Deferred taxation

Deferred taxation is provided for on the liability method on all material timing differences when it is probable that a liability will crystallise in the foreseeable future.

Finance leases and hire purchase contracts

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their useful lives. The finance charge and interest elements of repayments are charged to the profit and loss account over the period of the agreement on a straight line basis.

Pensions

The company operates a defined contribution scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Grain Harvesters Limited

Notes to the financial statements for the year ended 30 June 1996

1 Turnover

Turnover represents the invoiced value of goods and services supplied during the year net of value added tax.

2 Staff costs

| | 1996 £ | 1995 £ |
|-----------------------|----------------|----------------|
| Wages and salaries | 730,836 | 658,065 |
| Social security costs | 72,788 | 56,468 |
| Company pension costs | 38,186 | 19,492 |
| | <u>841,810</u> | <u>734,025</u> |

Included in the above are the following amounts relating to directors:-

| | | |
|--|----------------|---------------|
| Fees | 6,070 | 3,600 |
| Other emoluments including pension costs | 100,057 | 70,039 |
| | <u>106,127</u> | <u>73,639</u> |
| Emoluments of the chairman | 6,344 | 4,483 |
| Emoluments of the highest paid director | 43,079 | 40,153 |

The number of all directors whose emoluments, excluding pension contributions fell within the following ranges were:

| | 1996 Number | 1995 Number |
|-------------------|----------------|----------------|
| Up to £5,000 | 6 | 7 |
| £5,001 - £10,000 | 1 | - |
| £25,001 - £30,000 | - | 1 |
| £30,001 - £35,000 | 1 | - |
| £40,001 - £45,000 | 1 | 1 |

The average number of persons employed by the company excluding subcontractors was 47 (1995 44).

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. The pension cost charge represents contributions payable by the company to the fund.

Grain Harvesters Limited**Notes to the financial statements
for the year ended 30 June 1996****3 Operating profit**

| | 1996 £ | 1995 £ |
|---|-------------------|-------------------|
| This is stated after charging: | | |
| Plant and machinery operating lease rentals | 3,292 | 3,292 |
| Hire of equipment | 1,548 | 1,739 |
| Audit fee | 9,500 | 9,500 |
| | <u> </u> | <u> </u> |

4 Interest receivable

| | 1996 £ | 1995 £ |
|-----------------------------|-------------------|-------------------|
| Bank interest received | 2,651 | 973 |
| Credit charges and interest | 13,267 | 11,954 |
| | <u> </u> | <u> </u> |
| | 15,918 | 12,927 |
| | <u> </u> | <u> </u> |

5 Interest payable

| | 1996 £ | 1995 £ |
|--|-------------------|-------------------|
| Bank overdraft | 38,448 | 27,665 |
| Hire purchase interest and finance lease charges | 3,689 | 3,689 |
| | <u> </u> | <u> </u> |
| | 42,137 | 31,354 |
| | <u> </u> | <u> </u> |

6 Tax on profit on ordinary activities

| | 1996 £ | 1995 £ |
|---|-------------------|-------------------|
| UK corporation tax at the rate of 25% (1995 28%) on taxable profits for the year | 55,600 | 111,077 |
| Transfer from deferred taxation | 20,753 | (14,461) |
| | <u> </u> | <u> </u> |
| | 76,353 | 96,616 |
| Adjustment in respect of previous years | 333 | - |
| | <u> </u> | <u> </u> |
| | 76,686 | 96,616 |
| | <u> </u> | <u> </u> |

Grain Harvesters Limited

Notes to the financial statements for the year ended 30 June 1996

7 Dividends

| | 1996 £ | 1995 £ |
|---|---------------|---------------|
| Ordinary - final proposed at 55p per share (1995 55p) | <u>43,950</u> | <u>43,950</u> |

8 Tangible fixed assets

| | Total £ | Freehold land and buildings £ | Plant and machinery and loose tools £ | Motor vehicles £ | Office and laboratory equipment £ | Assets under construc- tion £ |
|---------------------------|-------------------------|--|---|------------------------|--|---|
| Cost | | | | | | |
| At 1 July 1995 | 4,559,391 | 585,406 | 3,315,304 | 480,116 | 178,565 | - |
| Additions | 663,238 | - | 592,977 | 3,060 | 10,471 | 56,730 |
| Disposals | (23,130) | (6,972) | (6,928) | (9,230) | - | - |
| At 30 June 1996 | <u>5,199,499</u> | <u>578,434</u> | <u>3,901,353</u> | <u>473,946</u> | <u>189,036</u> | <u>56,730</u> |
| Depreciation | | | | | | |
| At 1 July 1995 | 3,307,994 | 257,150 | 2,583,398 | 307,875 | 159,571 | - |
| Charge for year | 259,301 | 14,369 | 177,112 | 54,956 | 12,864 | - |
| Eliminated on disposal | (22,402) | (6,246) | (6,928) | (9,228) | - | - |
| At 30 June 1996 | <u>3,544,893</u> | <u>265,273</u> | <u>2,753,582</u> | <u>353,603</u> | <u>172,435</u> | |
| Written down value | | | | | | |
| At 30 June 1996 | <u>1,654,606</u> | <u>313,161</u> | <u>1,147,771</u> | <u>120,343</u> | <u>16,601</u> | <u>56,730</u> |
| At 30 June 1995 | <u>1,251,397</u> | <u>328,256</u> | <u>731,906</u> | <u>172,241</u> | <u>18,994</u> | <u>-</u> |

Included in the above are the following assets acquired under finance leases:-

| | Motor Vehicles £ | Office & Laboratory Equipment £ |
|---|------------------------|--|
| Cost | 62,000 | 5,296 |
| Less accumulated depreciation | (51,670) | (5,295) |
| Written down value at 30 June 1996 | <u>10,330</u> | <u>1</u> |
| Depreciation charge for the year | <u>10,334</u> | <u>1,059</u> |

Grain Harvesters Limited

Notes to the financial statements for the year ended 30 June 1996

9 Stocks

| | 1996 £ | 1995 £ |
|-------------------------------------|------------------|----------------|
| Raw materials and consumables | 884,141 | 705,995 |
| Finished goods and goods for resale | 125,549 | 74,875 |
| | <u>1,009,690</u> | <u>780,870</u> |

10 Debtors

| | 1996 £ | 1995 £ |
|---------------|------------------|------------------|
| Trade debtors | 1,233,176 | 1,132,224 |
| Other debtors | 50,889 | 46,854 |
| Prepayments | 129,831 | 83,248 |
| | <u>1,413,896</u> | <u>1,262,326</u> |

11 Creditors: amounts falling due within one year

| | 1996 £ | 1995 £ |
|---------------------------------------|------------------|----------------|
| Bank overdraft (secured) | 787,609 | 193,657 |
| Trade creditors | 496,257 | 449,827 |
| Other creditors | 1,541 | 2,339 |
| Accruals | 140,565 | 103,586 |
| Corporation tax | 55,600 | 112,642 |
| Other taxes and social security costs | 21,818 | 17,986 |
| Hire purchase and finance leases | - | 13,459 |
| Dividends | 43,950 | 43,950 |
| | <u>1,547,340</u> | <u>937,446</u> |

The bank overdraft is secured on the assets of the company.

Grain Harvesters Limited

Notes to the financial statements for the year ended 30 June 1996

12 Finance leases and hire purchase contracts

Future repayments to be made under finance leases and hire purchase contracts are as follows:-

| | 1996 £ | 1995 £ |
|---|-----------|-----------|
| Within 1 year | - | 17,149 |
| Between 2 and 5 years | - | - |
| | <hr/> | <hr/> |
| | - | 17,149 |
| Less interest allocated to future periods | - | (3,690) |
| | <hr/> | <hr/> |
| | - | 13,459 |
| | <hr/> | <hr/> |
| This liability is disclosed as follows:- | | |
| Creditor due within 1 year | - | 13,459 |
| Creditor due after more than 1 year | - | - |
| | <hr/> | <hr/> |
| | - | 13,459 |
| | <hr/> | <hr/> |

13 Operating leases

Payments due next year under an operating lease involving plant and machinery total £2,746 (1995 £3,292). This commitment ends on 11 May 1997.

14 Deferred taxation

Provision has been made for all potential deferred taxation liabilities, calculated at the rate of 33% (1995 33%).

| | 1996 £ | 1995 £ |
|---|-----------|-----------|
| Capital allowances in advance of depreciation | | |
| Balance at 1 July 1995 | 172,650 | 187,111 |
| Transfer to profit and loss account | 20,753 | (14,461) |
| | <hr/> | <hr/> |
| Balance at 30 June 1996 | 193,403 | 172,650 |
| Less advance corporation tax on proposed dividend | (10,988) | (10,988) |
| | <hr/> | <hr/> |
| | 182,415 | 161,662 |
| | <hr/> | <hr/> |

15 Share capital

| | 1996 £ | 1995 £ |
|------------------------------------|-----------|-----------|
| Authorised | | |
| 200,000 ordinary shares of £1 each | 200,000 | 200,000 |
| | <hr/> | <hr/> |
| Allotted, called up and fully paid | | |
| 79,910 ordinary shares of £1 each | 79,910 | 79,910 |
| | <hr/> | <hr/> |

Grain Harvesters Limited

Notes to the financial statements for the year ended 30 June 1996

16 Reserves

| | Profit & loss account £ | Grain stock or quality deficiency reserve £ | Capital redemption reserve £ |
|-------------------------------|-------------------------------|---|---------------------------------------|
| Balance at 1 July 1995 | 2,073,286 | 40,000 | 2,490 |
| Profit for the financial year | <u>152,916</u> | <u>-</u> | <u>-</u> |
| Balance at 30 June 1996 | <u><u>2,226,202</u></u> | <u><u>40,000</u></u> | <u><u>2,490</u></u> |

The grain stock or quality deficiency reserve is maintained to cover any future deficiencies in grain stocks held on behalf of customers.

17 Reconciliation of movements in shareholders' funds

| | 1996 £ | 1995 £ |
|--------------------------------------|-------------------------|-------------------------|
| Profit for the financial year | 196,866 | 273,564 |
| Dividends | <u>(43,950)</u> | <u>(43,950)</u> |
| Net additions to shareholders' funds | 152,916 | 229,614 |
| Opening shareholders' funds | <u>2,195,686</u> | <u>1,966,072</u> |
| Net assets at 30 June 1996 | <u><u>2,348,602</u></u> | <u><u>2,195,686</u></u> |

18 Capital commitments

| | 1996 £ | 1995 £ |
|--|-----------------------|-----------------------|
| Authorised and contracted for | <u>243,444</u> | <u>14,478</u> |
| Authorised by the board but not yet contracted | <u><u>124,740</u></u> | <u><u>225,000</u></u> |

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

| | 1996 £ | 1995 £ |
|---|-----------------------|-----------------------|
| Operating profit | 299,771 | 388,607 |
| Depreciation | 257,729 | 224,728 |
| (Increase) in stocks | <u>(228,820)</u> | <u>(319,346)</u> |
| (Increase) in debtors | <u>(151,570)</u> | <u>(187,651)</u> |
| Increase in creditors | <u>8,973</u> | <u>36,367</u> |
| Net cash inflow from operating activities | <u><u>186,083</u></u> | <u><u>142,705</u></u> |

Grain Harvesters Limited

Notes to the financial statements for the year ended 30 June 1996

20 Analysis of changes in cash and cash equivalents during the year

| | 1996 £ | 1995 £ |
|-------------------------|------------------|------------------|
| Balance at 1 July 1995 | (193,456) | (84,338) |
| Net cash outflow | (593,988) | (109,118) |
| Balance at 30 June 1996 | <u>(787,444)</u> | <u>(193,456)</u> |

21 Analysis of the balances of cash and cash equivalents as shown on the balance sheet

| | 1996 £ | 1995 £ | Change in year £ |
|--------------------------|------------------|------------------|------------------------|
| Cash at bank and in hand | 165 | 201 | (36) |
| Bank overdraft | (787,609) | (193,657) | (593,952) |
| | <u>(787,444)</u> | <u>(193,456)</u> | <u>(593,988)</u> |

22 Analysis of changes in financing during the year

| | Share capital | Finance leases |
|---|------------------|-------------------|
| Balance at 1 July 1995 | 79,910 | 13,459 |
| Capital element of finance lease repayments | - | (13,459) |
| Balance at 30 June 1996 | <u>79,910</u> | <u>-</u> |

The company did not enter into any major non-cash transactions during the year.