ARTHUR ANDERSEN

United Phosphorus Limited

and subsidiary undertakings

Accounts for the 14 months ended 31 March 1999
together with directors' and auditors' reports

Registered number: 2844616

Directors' report

For the 14 months ended 31 March 1999

The directors present their annual report on the affairs of the group, together with the accounts and auditors' report, for the 14 months ended 31 March 1999.

On 14 January 1999 the company changed its accounting reference from 31 January to 31 March.

Directors' responsibilities

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

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

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

Principal activity and business review

The principal activity of the group continues to be the manufacture and marketing of pesticides, herbicides and fungicides.

Group turnover in the period was £49,061,000 (1998 - £43,846,000), and loss after tax and minority interest was £839,000 (1998 - £3,384,000). The directors forecast a return to profitability in the current year.

Results and dividends

Group results, dividends and recommended transfers to reserves are as follows:

	£'000
Group accumulated deficit at 31 January 1998	(3,557)
Group loss for the financial period	(839)
Exchange gain on overseas equity investments	148
3% preference dividend accrued	(312)
Group accumulated deficit at 31 March 1999	(4,560)

Directors' report (continued)

Directors and their interests

The directors who served during the period or have been appointed since period end are as follows:

R.D. Shroff	
J. Shroff	
S.R. Shroff	
Dr. A.P. Shintre	(resigned 31 May 1999)
J.S. Hewitt	(resigned 30 November 1998)
G. Jennings	(resigned 30 November 1998)
G. Barker	(resigned 30 November 1998)
V. Shroff	(appointed 8 December 1998)
B. Dutia	(appointed 8 December 1998)
J.P. Sprigall	(appointed 4 May 1999)

The following directors held shares in United Phosphorus Limited (India), the parent company, as follows:

	Ordinary shares of INR 10/- each	
	1999	1998
R.D. Shroff	992,580	340,250
J. Shroff	400,000	401,202
S.R. Shroff	527,850	531,850
V. Shroff	255,750	-

The directors have no other interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings and the company magazine. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Directors' report (continued)

Year 2000

During the period the group completed their Year 2000 compliance project. To date no problems have been encountered and the board and senior management continue to monitor the situation.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

18 Liverpool Road
Great Sankey
Warrington
WA5 1QR

By order of the Board,

B. Dutia
Director

25 January 2000

Auditors' report

ARTHUR ANDERSEN

To the shareholders of United Phosphorus Limited:
We have audited the accounts on pages 5 to 25 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 to 11.

Respective responsibilities of directors and auditors
As described on page 1 the group's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. 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 and the group'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 accounts 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.

Fundamental uncertainty regarding going concern
In forming our opinion, we have considered the adequacy of the disclosures made in note 1a of the accounts concerning the uncertainty as to the appropriateness of preparing the accounts on a going concern basis. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion
In our opinion the accounts give a true and fair view of the state of affairs of the company and the group at 31 March 1999 and of the group's loss and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

25 January 2000

Consolidated profit and loss account

For the 14 months ended 31 March 1999

	Notes	14 months ended 31 March 1999 £'000	Year ended 31 January 1998 £'000
Turnover	2	49,061	43,846
Cost of sales		(37,137)	(35,328)
Gross profit		11,924	8,518
Other operating expenses		(11,463)	(9,380)
Operating profit (loss)		461	(862)
Interest payable and similar charges	3	(1,003)	(622)
Loss on disposal of tangible fixed assets	4	-	(2,484)
Loss on ordinary activities before taxation	5	(542)	(3,968)
Tax on loss on ordinary activities	7	(232)	494
Loss on ordinary activities after taxation		(774)	(3,474)
Minority interests		(65)	90
Loss for the financial period		(839)	(3,384)
Dividends proposed on non-equity shares	8	(312)	(203)
Retained loss for the period		(1,151)	(3,587)

A statement of movements on reserves is given in note 18.

The accompanying notes are an integral part of this consolidated profit and loss account.

Consolidated statement of total recognised gains and losses

For the 14 months ended 31 March 1999

	14 months ended 31 March 1999 £'000	Year ended 31 January 1998 £'000
Loss for the financial period	(839)	(3,384)
Profit (loss) on foreign currency translation	148	(25)
Total recognised gains and losses relating to the period	(691)	(3,409)

The accompanying notes are an integral part of this consolidated statement of total recognised gains and losses.

Consolidated balance sheet

31 March 1999

	Notes	31 March 1999 £'000	31 January 1998 £'000
Fixed assets			
Tangible assets	9	8,140	8,088
Intangible assets	10	1,528	1,279
Investments	11	-	6
		9,668	9,373
Current assets			
Stocks	12	10,030	12,740
Debtors	13	12,428	17,128
Cash at bank and in hand		903	78
		23,361	29,946
Creditors: Amounts falling due within one year	14	(27,480)	(32,936)
Net current liabilities		(4,119)	(2,990)
Total assets less current liabilities		5,549	6,383
Creditors: Amounts falling due after more than one year	15	(789)	(2,625)
Net assets		4,760	3,758
Capital and reserves			
Called-up share capital	17	9,320	6,820
Profit and loss account	18	(4,560)	(3,557)
Shareholder's funds	19	4,760	3,263
Minority interests	18	-	495
Total capital employed		4,760	3,758
Shareholder's funds may be analysed as:			
Equity interests		(2,010)	(3,507)
Non-equity interests		6,770	6,770
Shareholder's funds		4,760	3,263

The accompanying notes are an integral part of this consolidated balance sheet.

Company balance sheet

31 March 1999

	Notes	31 March 1999 £'000	31 January 1998 £'000
Fixed assets			
Tangible assets	9	8,052	8,022
Investments	11	3,155	2,250
		11,207	*10,272*
Current assets			
Stocks	12	5,864	6,054
Debtors	13	10,170	16,173
Cash at bank and in hand		48	4
		16,082	22,231
Creditors: Amounts falling due within one year	14	(20,871)	(26,160)
Net current liabilities		(4,789)	(3,929)
Total assets less current liabilities		*6,418*	*6,343*
Creditors: Amounts falling due after more than one year	15	(789)	(2,487)
Net assets		5,629	3,856
Capital and reserves			
Called-up share capital	17	9,320	6,820
Profit and loss account	18	(3,691)	(2,964)
Total capital employed		5,629	3,856
Attributable to:			
Equity interests		(1,141)	(2,914)
Non-equity interests		6,770	6,770
Shareholder's funds		5,629	3,856

Signed on behalf of the Board

B. Dutia Director

25 January 2000

The accompanying notes are an integral part of this balance sheet.

Consolidated cash flow statement

For the 14 months ended 31 March 1999

	Notes	14 months ended 31 March 1999 £'000	Year ended 31 January 1998 £'000
Net cash inflow from operating activities	20a)	2,961	3,487
Returns on investments and servicing of finance	20b)	(1,003)	(622)
Taxation	20b)	(481)	-
Capital expenditure and financial investment	20b)	6,796	(4,320)
Acquisitions and disposals	20b)	(1,221)	(2,302)
Cash inflow (outflow) before financing	20b)	7,052	(3,757)
Financing	20b)	(4,615)	2,365
Increase (decrease) in cash in the period	20c, d)	2,437	(1,392)

The accompanying notes are an integral part of this consolidated cashflow statement.

Notes to accounts

31 March 1999

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the current period and the preceding year, is set out below.

a) Going concern

The company is currently in breach of its banking covenants. However, the accounts have been prepared on a going concern basis as the directors have received confirmation from the parent company that it will provide sufficient financial support to ensure that the company can meet its liabilities as they fall due.

b) Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. Assets and liabilities are recognised in the accounts where, as a result of past transactions or events, the group has rights or other access to future economic benefits controlled by the group or obligation to transfer economic benefits.

The parent company has taken advantage of the legal dispensation available under Section 230 of Companies Act 1985 not to publish its own profit and loss account. Its loss for the financial period was £727,000 (1998-£3,164,000 loss)

c) Basis of consolidation

The group accounts consolidate the accounts of United Phosphorus Limited and its subsidiary undertakings drawn up to 31 March for the current year and 31 January in previous years. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

d) Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is between seven and a maximum of twenty years. Provision is made for any impairment.

Notes to accounts (continued)

1 Accounting policies (continued)

e) Tangible fixed assets

Tangible fixed assets are shown at cost.

Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Freehold buildings	50 years
Leasehold land and buildings	50 years or the term of lease if shorter
Plant and machinery	5 - 20 years
Fixtures and fittings	5 - 20 years
Motor vehicles	4 years

Residual value is calculated on prices prevailing at the date of acquisition.

f) Stocks

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

Cost incurred in bringing each product to its present location and condition is based on:

Raw materials	-	purchase cost on a first-in, first-out basis, including transport
Work-in-progress and finished goods	-	cost of direct materials and labour, plus a reasonable proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

g) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax legislation) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse. However, the amount of all deferred tax, including that which will probably not reverse, is shown in the notes to the accounts.

Notes to accounts (continued)

1 Accounting policies (continued)

h) Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction (or, where appropriate, at the rate of exchange in a related forward exchange contract). Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date (or, where appropriate, at the rate of exchange in a related forward exchange contract). Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

i) Turnover

Turnover comprises the value of sales (excluding VAT and similar taxes, trade discounts and intra-group transactions) of goods and services in the normal course of business.

j) Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

k) Investments

Fixed asset investments are shown at cost less provision for impairment in value.

l) Pension costs

The group provides pensions to its employees through two pension schemes, one of which is a defined benefit scheme and the other a defined contribution scheme.

The assets of the defined benefit scheme are held independently of the group by an insurance company.

The amount charged to the profit and loss account for the defined contribution scheme is the contributions payable in the period and for the defined benefit scheme is the estimated regular cost of providing the benefits accrued in the period, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account at a constant percentage of pensionable payroll over the estimated average remaining working life of scheme members.

Any difference between amounts charged to the profit and loss account and contributions paid is shown as a separately identified liability or asset in the balance sheet.

Notes to accounts (continued)

2 Segment information

No segmental information has been provided as the directors are of the opinion that any disclosure would be prejudicial to the business.

3 Interest payable and similar charges

	14 months ended 31 March 1999 £'000	Year ended 31 January 1998 £'000
Bank loans, overdrafts, other loans and invoice discounting	1,003	622

4 Loss on disposal of tangible fixed assets

	14 months ended 31 March 1999 £'000	Year ended 31 January 1998 £'000
Write down of plant and machinery	-	1,791
Other restructuring costs	-	693
	-	2,484

In the prior year the company undertook a restructuring of its operations resulting in the closure of the Warrington production site. In connection with this closure a write-down of plant and machinery with a net book value of £1,791,000 was required and additional costs of £693,000 were also incurred.

The directors did not consider that the restructuring had a material effect on the nature and focus of the group's operations and consequently the closure was not treated as a discontinued operation.

Notes to accounts (continued)

5 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	14 months ended 31 March 1999 £'000	Year ended 31 January 1998 £'000
Depreciation and amounts written off owned tangible fixed assets	794	637
Amortisation of goodwill	84	68
Hire of plant and machinery under operating leases	135	104
Auditors' remuneration		
- audit fees	60	51
- other	19	10
Staff costs (see note 6)	4,181	4,174

6 Staff costs

Particulars of employees (including executive directors) are as shown below:

	14 months ended 31 March 1999 £'000	Year ended 31 January 1998 £'000
Employee costs during the period amounted to:		
Wages and salaries	3,730	3,726
Social security costs	315	347
Other pension costs (see also note 22c)	136	101
	4,181	4,174

The average monthly number of persons employed by the group during the period was as follows:

	14 months ended 31 March 1999 Number	Year ended 31 January 1998 Number
Production	75	129
Distribution	19	17
Administration	55	50
	149	196

Notes to accounts (continued)

6 Staff costs (continued)

Directors' remuneration in respect of directors of the group was as follows:

	14 months ended 31 March 1999 £'000	Year ended 31 January 1998 £'000
Emoluments	362	360
Contributions to money purchase pension scheme	4	3
	366	363

The number of directors who are members of a pension scheme is one (1998 - one).

Amounts received by the highest paid director included:

	14 months ended 31 March 1999 £'000	Year ended 31 January 1998 £'000
Emoluments	128	59
Contributions to money purchase pension scheme	-	3
Compensation for loss of office	-	60
	128	122

7 Tax on loss on ordinary activities

The tax charge (credit) is based on the loss for the period and comprises:

	14 months ended 31 March 1999 £'000	Year ended 31 January 1998 £'000
UK corporation tax	63	(107)
Overseas tax	169	-
Deferred taxation arising from capital allowances	-	(334)
Adjustment in respect of prior year overprovision	-	(53)
	232	(494)

Notes to accounts (continued)

8 Dividends proposed on non-equity shares

	14 months ended 31 March 1999 £'000	Year ended 31 January 1998 £'000
3% preference dividend accrued	312	203

9 Tangible fixed assets

	Land and buildings			
Group	Freehold £'000	Long leasehold £'000	Plant and machinery £'000	Total £'000
Cost				
At 31 January 1998	736	1,113	7,524	9,373
Additions	-	-	847	847
Disposals	-	-	(8)	(8)
At 31 March 1999	736	1,113	8,363	10,212
Depreciation				
At 31 January 1998	54	79	1,152	1,285
Charge	21	32	741	794
Disposals	-	-	(7)	(7)
At 31 March 1999	75	111	1,886	2,072
Net book value				
At 31 January 1998	682	1,034	6,372	8,088
At 31 March 1999	661	1,002	6,477	8,140
Company				
Cost				
At 31 January 1998	736	1,113	7,443	9,292
Additions	-	-	792	792
At 31 March 1999	736	1,113	8,235	10,084
Depreciation				
At 31 January 1998	54	79	1,137	1,270
Charge	21	32	709	762
At 31 March 1999	75	111	1,846	2,032
Net book value				
At 31 January 1998	682	1,034	6,306	8,022
At 31 March 1999	661	1,002	6,389	8,052

Notes to accounts (continued)

10 Intangible fixed assets

	Group	
	31 March 1999 £'000	31 January 1998 £'000
Goodwill	1,528	1,279

The movement on goodwill during the period was as follows:

	£'000
Balance at 31 January 1998	1,279
Goodwill on acquisition of the Agro Dan A/S minority shareholding (note 21)	333
Amortisation in the period	(84)
Balance at 31 March 1999	1,528

11 Fixed asset investments

	Group		Company	
	31 March 1999 £'000	31 January 1998 £'000	31 March 1999 £'000	31 January 1998 £'000
Subsidiary undertakings	-	-	3,155	2,250
Other investments	-	6	-	-
	-	6	3,155	2,250

The other investments represent trade investments which were held within Agro Dan A/S.

Subsidiary undertakings

	£'000
Cost and net book value	
At 31 January 1998	2,250
Additions	905
At 31 March 1999	3,155

During the period the company acquired the remaining 40% share in Agro Dan A/S for cash consideration of £892,000, and 100% of the ordinary share capital of United Phosphorus Belgium SPRL for cash consideration of £13,000 (see note 21).

Notes to accounts (continued)

11 Fixed asset investments (continued)

The company has investments in the following subsidiary undertakings, all of which are involved in the sales and marketing of pesticides:

	Country of incorporation or registration	Proportion of ordinary shares held by the company
United Phosphorous Inc.	USA	100%
Agro Dan A/S	Denmark	100%
JSC 'United Phosphorus Limited'	Russia	100%
United Phosphorus Belgium SPRL	Belgium	100%

The company also holds the entire share capital of United Phosphorus Pakistan (Private) Limited, a dormant company incorporated in Pakistan.

12 Stocks

	Group		Company	
	31 March 1999 £'000	31 January 1998 £'000	31 March 1999 £'000	31 January 1998 £'000
Raw materials and consumables	4,625	3,165	1,520	1,785
Work-in-progress	776	781	276	594
Finished goods and goods for resale	4,629	8,794	4,068	3,675
	10,030	12,740	5,864	6,054

13 Debtors

	Group		Company	
	31 March 1999 £'000	31 January 1998 £'000	31 March 1999 £'000	31 January 1998 £'000
Amounts falling due within one year:				
Trade debtors	10,658	6,795	7,488	6,066
Amounts owed by group undertakings	1,031	9,172	1,954	9,172
VAT	103	286	103	229
Other debtors	595	520	595	520
Prepayments and accrued income	41	355	30	186
	12,428	17,128	10,170	16,173

Included in amounts owed by group undertakings are loans totalling £nil (1998 - £7,626,000). These loans are unsecured and interest free.

Notes to accounts (continued)

14 Creditors: Amounts falling due within one year

	Group		Company	
	31 March 1999 £'000	31 January 1998 £'000	31 March 1999 £'000	31 January 1998 £'000
Obligations under finance leases	432	565	432	565
Bank loans and overdrafts	2,124	3,846	2,094	2,975
Invoice discounting advances	5,458	4,736	5,458	4,736
Trade creditors	4,636	5,565	3,957	5,121
Amounts owed to other group undertakings	12,127	15,305	6,953	10,973
Other creditors				
- other taxes	34	106	34	106
- corporation tax payable	235	484	227	250
Accruals and deferred income	2,434	2,329	1,716	1,434
	27,480	32,936	20,871	26,160

Included in amounts owed to group undertakings are loans totalling £2,777,930 (1998 - £8,536,000). These loans are unsecured and interest free.

15 Creditors: Amounts falling due after more than one year

	Group		Company	
	31 March 1999 £'000	31 January 1998 £'000	31 March 1999 £'000	31 January 1998 £'000
Obligations under finance leases	789	848	789	848
Bank loans	-	139	-	139
Loans from other group undertakings	-	1,638	-	1,500
	789	2,625	789	2,487

The company has granted a fixed and floating charge over its assets to secure bank overdrafts of £1,994,000 (1998-£2,735,000), bank loans of £100,000 (1998 - £379,000) and invoice discounting advances of £5,458,000 (1998-£4,736,000). The bank loan is repayable in monthly instalments of £19,890, the final payment being due in July 1999.

During the period a long term group loan of £1,500,000 and short term group loan of £1,000,000 were converted into preference share capital (see note 17).

Notes to accounts (continued)

15 Creditors: Amounts falling due after more than one year (continued)

Finance leases are repayable as follows:

	Group		Company	
	31 March 1999 £'000	31 January 1998 £'000	31 March 1999 £'000	31 January 1998 £'000
Within one year	432	565	432	565
Between two and five years	789	848	789	848
	1,221	1,413	1,221	1,413

16 Deferred taxation

Deferred tax has been provided to the extent that the directors have concluded, on the basis of reasonable assumptions and the intentions of management, that it is probable that part of the liability will crystallise.

Deferred tax provided and unprovided is as follows:

	Provided		Not provided	
	31 March 1999 £'000	31 January 1998 £'000	31 March 1999 £'000	31 January 1998 £'000
Accelerated capital allowances	-	-	159	92

The movement on deferred taxation comprises:

	14 months ended 31 March 1999 £'000	Year ended 31 January 1998 £'000
Beginning of period	-	334
Credited to profit and loss, in respect of capital allowances	-	(334)
End of period	-	-

Notes to accounts (continued)

17 Called-up share capital

	31 March 1999 £'000	31 January 1998 £'000
Authorised, allotted, called-up and fully paid		
50,000 ordinary shares of £1 each	50	50
9,270,000 (1998 - 6,770,000) 3% redeemable preference shares of £1 each	9,270	6,770
	9,320	6,820

The 3% redeemable preference shares may at the company's option be redeemed at any time, subject to the approval of the company's bankers.

On 31 July 1998 the company converted loans due to a group undertaking of £2,500,000 into 2,500,000 3% redeemable preference shares of £1 each.

18 Reserves

Of total reserves shown in the company's balance sheet, the following amounts are regarded as distributable or otherwise:

	Company	
	31 March 1999 £'000	31 January 1998 £'000
Distributable		
- profit and loss account	-	-

The movement on the profit and loss account during the period was as follows:

	Group		Company	
	31 March 1999 £'000	31 January 1998 £'000	31 March 1999 £'000	31 January 1998 £'000
Beginning of period	(3,557)	55	(2,964)	200
Loss for the financial period	(839)	(3,384)	(415)	(2,961)
Profit (loss) on overseas equity investments	148	(25)	-	-
Dividends proposed on non-equity shares	(312)	(203)	(312)	(203)
End of period	(4,560)	(3,557)	(3,691)	(2,964)

Notes to accounts (continued)

18 Reserves (continued)

The movement in minority interests during the period was as follows:

	£'000
Beginning of period	495
Minority interest share in pre-acquisition profit of Agro Dan A/S	65
Elimination of minority interest following purchase of remaining stake in Agro Dan A/S (see note 21)	(560)
End of period	-

19 Reconciliation of movements in group shareholder's funds

	14 months ended 31 March 1999 £'000	Year ended 31 January 1998 £'000
Beginning of period	3,263	6,875
Loss for the financial period	(839)	(3,384)
Other recognised gains (losses) relating to the period	148	(25)
New preference shares issued	2,500	-
Dividends proposed on non-equity shares	(312)	(203)
End of period	4,760	3,263

20 Cash flow information

a) Reconciliation of operating profit (loss) to net cash inflow from operating activities

	14 months ended 31 March 1999 £'000	Year ended 31 January 1998 £'000
Operating profit (loss)	461	(862)
Depreciation charges	794	705
Amortisation	84	-
Decrease in stocks	3,381	1,230
(Increase) decrease in debtors	(1,942)	3,939
Increase (decrease) in creditors	183	(1,557)
Translation difference	-	32
Net cash inflow from operating activities	2,961	3,487

Notes to accounts (continued)

20 Cash flow information (continued)

b) Analysis of cash flows for headings netted in the cash flow statement

	14 months ended 31 March 1999 £'000	Year ended 31 January 1998 £'000
Returns on investment and servicing of finance		
Interest paid	(1,003)	(622)
Net cash outflow from servicing of finance	(1,003)	(622)
Taxation		
UK corporation tax paid	(86)	-
Overseas tax paid	(395)	-
Net cash outflow from taxation	(481)	-
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(830)	(3,627)
Reorganisation costs paid (note 4)	-	(693)
Repayments of loans by group undertakings	7,626	-
Net cash inflow (outflow) from capital expenditure	6,796	(4,320)
Acquisitions and disposals		
Payments to acquire investments in subsidiary undertaking	(905)	(2.249)
Net overdrafts acquired with subsidiary undertakings	(316)	(55)
Disposal of trade investment	-	2
Net cash outflow from acquisitions and disposals	(1,221)	(2,302)
Financing		
Increase (decrease) in discounted invoices	722	(191)
Inception of new finance leases	-	1,413
New loans from other group undertakings	-	1,363
Repayment of loans from other group undertakings	(4,896)	-
New loans	30	-
Repayment of loans	(279)	(221)
Capital element of finance lease repayments	(192)	-
Translation difference	-	1
Net cash (outflow) inflow from financing	(4,615)	2,365

20 Cash flow information (continued)

c) Reconciliation of net cash flow to movement in net debt

	14 months ended 31 March 1999 £'000	Year ended 31 January 1998 £'000
Increase (decrease) in cash in the period	2,437	(1,392)
Decrease (increase) in short term borrowings	4,279	(9,006)
Decrease (increase) in long term borrowings	336	(1,150)
Change in net debt resulting from cash flows	7,052	(11,548)
Conversion of group debt to preference shares	2,500	-
Movement in net debt in the period	9,552	(11,548)
Net debt at 1 February 1998	(20,230)	(8,682)
Net debt at 31 March 1999	(10,678)	(20,230)

d) Analysis of changes in net debt

	At 31 January 1998 £'000	Cash flows £'000	Non-cash transactions £'000	At 31 March 1999 £'000
Cash at bank and in hand	78	825	-	903
Overdrafts	(3,606)	1,612	-	(1,994)
	(3,528)	2,437	-	(1,091)
Debt due within one year	(14,077)	4,279	1,000	(8,798)
Debt due after one year	(2,625)	336	1,500	(789)
Total	(20,230)	7,052	2,500	(10,678)

The non-cash transactions are in respect of the conversion of group loans during the period into preference share capital (see note 15).

21 Purchase of subsidiary undertakings

During the period the company acquired the remaining 40% share in Agro Dan A/S for consideration of £892,000, and 100% of the ordinary share capital of United Phosphorus Belgium SPRL for cash consideration of £13,000.

	Book and fair value to the group		
	Agro Dan A/S £'000	United Phosphorus Belgium SRL £'000	Total £'000
Fixed assets	9	-	9
Investments	2	-	2
Stocks	671	-	671
Debtors	984	-	984
Cash	-	13	13
Creditors	(778)	-	(778)
Bank overdrafts	(329)	-	(329)
Net assets	559	13	572
Goodwill	333	-	333
	892	13	905
Satisfied by:			
Cash paid	892	13	905

22 Guarantees and other financial commitments

a) Capital commitments

At the end of the period, there were no capital commitments (1998 – none).

b) Lease commitments

The company has entered into non-cancellable operating leases in respect of plant and machinery, the payments for which extend over a period of up to five years. The total rental for the period (including interest) was £118,376 (1998 - £104,000). The lease agreements provide that the company will pay all insurance, maintenance and repairs. The company may continue, at its option, to use the plant and machinery after the expiration of the initial lease period at a nominal rental.

Notes to accounts (continued)

22 Guarantees and other financial commitments (continued)

The minimum annual rentals under the foregoing leases are as follows:

	Group		Company	
	31 March 1999 £'000	31 January 1998 £'000	31 March 1999 £'000	31 January 1998 £'000
Expiry date				
- within one year	52	102	52	102
- between two and five years	65	-	65	-
	117	102	117	102

c) Pension arrangements

The United Phosphorus Limited Pension & Life Assurance Scheme (formerly the MTM Agrochemicals Limited Pension & Life Assurance Scheme) covers employees of the company who were employees of MTM Agrochemicals Limited prior to 24 February 1989. The scheme was closed to new entrants on 24 February 1989. This scheme is a defined benefit scheme and the most recent actuarial valuation was carried out at 1 July 1996 using the projected unit method. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in pensionable earnings. It was assumed that investment returns would be 8% per annum, and that pensionable earnings would increase by 6.25% per annum.

The valuation showed that the scheme was fully funded after allowing for projected salary increases. The market value of the scheme's assets at 1 July 1996 was £2,780,000. The actuarial value of the scheme's assets at 1 July 1996 was sufficient to cover 127% of the benefits accruing to members after allowing for expected future increases in salaries. The assets are invested in the Legal & General's AF80 deposit administration contract.

The scheme is currently on a contributions holiday with the surplus being amortised over the remaining service lives of employees in the scheme.

The United Phosphorus Pension Scheme is a defined contribution scheme available to all other employees of the company. Contributions to this scheme are at the rate of 6% of the employee's pensionable salary and amounted to £113,000 during the period (1998 - £101,000).

The assets of both schemes are held separately from those of the group.

23 Related party transactions

The company has taken advantage of the exemptions conferred in FRS8 (Related Party Transactions) not to disclose transactions with group companies.

24 Ultimate parent company

The company is a subsidiary undertaking of United Phosphorus Limited, incorporated in India. The largest and smallest group in which the results of the company are consolidated is that headed by the company.