

Arable Holdings Limited
(formerly Dalgety Group Limited)

Directors' Report
and
Consolidated Financial Statements

Registered number 3522941

Year ended 30 June 2003



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2003.

Principal activities and business review

The principal activity of the Group was that of agricultural merchanting in the UK and Poland. The sale of the feed mill site on the waterfront at Poole for retail and residential development was completed on 28 June 2003.

Subsequently, the Royal Bank of Scotland indicated their intention to give notice of withdrawal of the Group's UK invoice discounting line and, on 3 December 2003, the Group sold the majority of its assets and all of its business undertakings in the UK to Masstock Arable (UK) Limited. All of the Group's employees in the UK transferred with the business on identical terms of employment. As a consequence, the Group no longer trades in the UK. On the same date, the Group also granted Masstock Arable (UK) Limited a call option over its shares in Dalgety Agra Polska Sp Z.o.o. This option was exercised on 22 April 2004.

The Group's remaining assets, which consist primarily of a limited number of small freehold and leasehold properties, outstanding trade debts relating to its former animal feed business and its investment in King's Lynn Silos Limited, are being liquidated with a view to winding up the Group by means of a voluntary liquidation in due course.

On 16 March 2004, the company changed its name from Dalgety Group Limited to Arable Holdings Limited. A number of the company's UK subsidiaries (see note 11 to the accounts) changed their names on 15 January 2004.

Results and dividend

The result for the period is set out in the profit and loss account on page 7. The directors do not recommend the payment of a dividend. The retained loss of £9,177,000 (2002: loss of £930,000) will be transferred to reserves.

Research and development

Research was undertaken into the development of the Group's products as part of the day to day business activities.

Directors

The directors who held office during the period are shown below.

P Kirk (resigned 3 December 2003)
A J Taylor
A S Barnard (resigned 30 April 2003)
R P Green
K J Compson (resigned 3 December 2003)
P D Hunt (resigned 3 December 2003)
Sir David Naish (resigned 31 October 2003)

Directors' interests

The interests of the directors in office at 30 June 2003 in the share capital of the company were:

	No. of ordinary shares
P Kirk	62,400
R P Green	62,400
K J Compson	62,400
P D Hunt	62,400
A J Taylor	114,000

Employment policies

The company consults and discusses with employees, through unions, staff councils, consultative committees, and at conferences, matters likely to affect employees' interests.

Information on matters of concern to employees is given through information bulletins, meetings and reports, including information to make employees aware of the financial and economic factors affecting the performance of the company.

The policy of the company for the employment of disabled persons is to provide opportunities equal to other employees to train for and attain any position in the company, having regard to the maintenance of a safe working environment and the constraints of the disability.

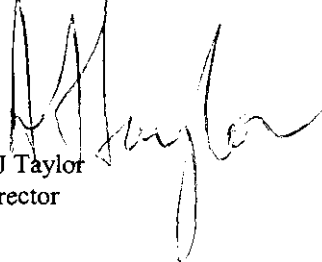
Political and charitable donations

The Group made no political contributions during the year. Donations to UK charities amounted to £2,771.

Auditors

In accordance with Section 384 of the Companies Act 1985 a resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the following Annual General Meeting.

By order of the Board



A J Taylor
Director

c/o Bond Pearce
Bristol Bridge House
138 -141 Redcliff Street
Bristol BS1 6BJ

28 July 2004

Statement of directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

As explained in note 1 to the financial statements, the directors do not believe the going concern basis to be appropriate and, as a consequence, these financial statements have not been prepared on that basis.

kpmg

100 Temple Street
Bristol
BS1 6AG
United Kingdom

Report of the independent auditors to the members of Arable Holdings Limited

We have audited the financial statements on pages 7 to 27 which, as described in note 1, have not been prepared on a going concern basis.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditor's 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

The directors are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

Basis of audit 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 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 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 affairs of the company and the group as at 30 June 2003 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG LLP
Chartered Accountants
Registered Auditor

23 July 2004

Consolidated profit and loss account
for the year ended 30 June 2003

	<i>Note</i>	2003 12 months £000	2002 15 months £000
Turnover			
Continuing operations	2	390,460	595,452
		<u>390,460</u>	<u>595,452</u>
Operating loss			
Continuing operations		(13,555)	(2,735)
		<u>(13,555)</u>	<u>(2,735)</u>

Operating loss before exceptional costs and goodwill amortisation		(7,982)	(5,371)
Redundancy costs		(996)	(671)
Exceptional pension costs	5	(6,085)	-
Amortisation of negative goodwill	9	4,928	3,307
Provision for loss on sale of business	15	(3,420)	-
		<u>(13,555)</u>	<u>(2,735)</u>

Non operating items

Profit on disposal of fixed assets		214	3,569
Profit on disposal of property		5,295	-

(Loss)/Profit on ordinary activities before interest

		<u>(8,046)</u>	<u>834</u>
Interest payable	7	(1,131)	(1,764)
Loss on ordinary activities before taxation	4	<u>(9,177)</u>	<u>(930)</u>
Tax on loss on ordinary activities	8	-	-
Retained loss for the year	19	<u>(9,177)</u>	<u>(930)</u>

Balance sheet

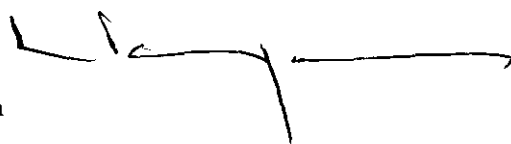
At 30 June 2003

	Note	30 June 2003		30 June 2002	
		Group £000	Company £000	Group £000	Company £000
Fixed assets					
Intangible assets – Negative goodwill	9	-	-	(4,928)	(4,928)
Tangible assets	10	1,590	-	5,269	-
Investments	11	-	22,988	120	23,108
		<u>1,590</u>	<u>22,988</u>	<u>461</u>	<u>18,180</u>
Current assets					
Stocks	12	11,648	-	15,284	-
Debtors	13	38,603	604	63,627	25,376
Tangible assets held for resale		-	-	1,648	-
Cash at bank and in hand		45	614	-	-
		<u>50,296</u>	<u>1,218</u>	<u>80,559</u>	<u>25,376</u>
Creditors: amounts falling due within one year	14	(47,871)	(23,163)	(71,080)	(31,344)
Net current assets/(liabilities)		<u>2,425</u>	<u>(21,945)</u>	<u>9,479</u>	<u>(5,968)</u>
Total assets less current liabilities		<u>4,015</u>	<u>1,043</u>	<u>9,940</u>	<u>12,212</u>
Provisions for liabilities and charges	15	(3,998)	(438)	(623)	-
Net assets		<u>17</u>	<u>605</u>	<u>9,317</u>	<u>12,212</u>
Capital and reserves					
Called up share capital	17	6	6	6	6
Share premium account	19	594	594	594	594
Other reserves	19	-	7,120	-	7,120
Profit and loss account	19	(583)	(7,115)	8,717	4,492
Equity shareholders' funds		<u>17</u>	<u>605</u>	<u>9,317</u>	<u>12,212</u>

Notes on pages 11 to 27 form part of these accounts.

These financial statements were approved by the board of directors on 28 July 2004 and were signed on its behalf by:

R P Green
Director



Consolidated cash flow statement
for the year ended 30 June 2003

	<i>Note</i>	30 June 2003 12 months £000	30 June 2002 15 months £000
Cash flow from operating activities	22	4,605	(5,646)
Returns on investments and servicing of finance	23	(1,131)	(1,764)
Capital expenditure	23	6,664	3,518
Cash outflow before management of liquid resources and financing		10,138	(3,892)
Financing	23	-	-
Increase/(decrease) in cash in the period		10,138	(3,892)
Reconciliation of net cash flow to movement in net debt			
Increase/(Decrease) in cash in the period		10,138	(3,892)
Exchange differences		(123)	(77)
Movement in net debt in the period		10,015	(3,969)
Net debt at start of the period		(10,707)	(6,738)
Net debt at the end of the period	24	(692)	(10,707)

Consolidated statement of total recognised gains and losses
for the year ended 30 June 2003

	30 June 2003 12 months £000	30 June 2002 15 months £000
Loss for the financial period	(9,177)	(930)
Exchange differences on the retranslation of net investments	(123)	(77)
	<u>(9,300)</u>	<u>(1,007)</u>

Reconciliation of movements in shareholders' funds
for the year ended 30 June 2003

	Group 2003 £000	Company 2003 £000
At the beginning of the period	9,317	12,212
Loss for the period	(9,177)	(11,607)
Exchange differences	(123)	-
	<u>17</u>	<u>605</u>
Shareholders' funds at 30 June 2003		

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

Given the sale of the UK business after the year end, these financial statements are prepared on the basis that the Group is not a going concern. The values in the Balance Sheet reflect the values attributed to the Group's assets and liabilities in the sale to Masstock Arable (UK) Limited. In the view of the directors, full provision has been made for all liabilities that are likely to be incurred before the Group can be wound up in an orderly manner.

The Group's invoice discounting facility was repaid in full and withdrawn on 3 December 2003 and, outside Poland, the Group has no access to borrowed funds.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 June 2003. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers.

Goodwill and negative 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 consolidation is capitalised and is amortised to nil by equal annual instalments over its estimated useful life.

Negative goodwill arising on consolidation/business combinations in respect of acquisitions is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

In the company's financial statements, investments in subsidiary undertakings and associates are stated at cost.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:-

Freehold buildings and long leasehold land and buildings - 50 years.

Short leasehold land and buildings - over period of lease.

Plant, equipment and vehicles - 3 to 20 years.

No depreciation is provided on freehold land.

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Foreign currency exchange rates

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. The profit and loss accounts of overseas subsidiary undertakings are translated at the average exchange rates.

Gains and losses arising on these translations are taken to reserves, net of exchange differences relating to foreign currency borrowings.

Research and development expenditure

Expenditure on research and development is written off against profits in the period in which it is incurred.

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

The Group held no finance leases in the period.

Pensions

The group operates a pension scheme that has a defined benefit section and a defined contribution section. The defined benefits section provides benefits based on employees' length of service and final average earnings. The assets of the section are held separately from those of the company. Contributions to the section are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

The defined contribution section provides benefits based on the value of the assets in the employee's individual scheme which are held separate from the Company's assets in an independently administered fund. The amount charged against profits represents the contributions payable to the section in respect of the accounting period.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds.

Notes (continued)

2 Turnover and segmental information

	Group Year ended 30 June 2003	Group Period ended 30 June 2002
	£000	£000
<i>Analysis of turnover by geographical area</i>		
Continuing operations		
UK	320,711	552,151
Continental Europe	69,749	43,301
	<hr/>	<hr/>
	390,460	595,452
	<hr/>	<hr/>

All turnover relates to arable merchanting.

	2003 £000	2002 £000
<i>Analysis of profit/(loss) before interest and taxation by geographical area</i>		
Continuing operations		
UK	(8,412)	459
Continental Europe	366	375
	<hr/>	<hr/>
	(8,046)	834
	<hr/>	<hr/>

The net assets of the Group relate to the following activities:-

	2003 £000	2002 £000
Arable merchanting	17	9,317
	<hr/>	<hr/>
	17	9,317
	<hr/>	<hr/>

Notes (continued)

3 Net operating expenses

	Year ended 30 June 2003 £000	Period ended 30 June 2002 £000
Charges		
Changes in stocks of raw materials and finished goods	3,636	10,308
Raw materials and consumables	(371,526)	(569,399)
Other external charges	(6,907)	(11,818)
Staff costs (note 5)	(21,691)	(19,851)
Depreciation and other amounts written off tangible and intangible fixed assets	(4,172)	(716)
Amortisation of negative goodwill	4,928	3,307
Provision for sale of business	(3,420)	-
Other operating charges	(5,120)	(11,018)
Total charges	(404,272)	(599,187)
Income		
Other operating income	257	1,000
Net operating expenses	(404,015)	(598,187)

Notes (continued)

4 Loss on ordinary activities before taxation

The following have been (charged)/credited before arriving at the Group profit/loss on ordinary activities before taxation.

	Year ended 30 June 2003 £000	Period ended 30 June 2002 £000
Amortisation of negative goodwill	4,928	3,307
Other depreciation	(4,172)	(716)
Royalties payable	(2,801)	(3,482)
Profit on sale of fixed assets	214	3,569
Profit on sale of property held for resale	5,295	-
Operating lease cost:		
- plant and machinery	(267)	(338)
- other operating lease	(1,311)	(1,618)
Other hire plant and machinery	(140)	(350)
Auditors' remuneration - audit fees	(73)	(97)
- other	(125)	(562)
Research expenditure	(72)	(100)

The parent company audit fee for the year was nil. Payments to the auditors by the parent company for non-audit services of nil were made during the year.

5 Employees

The average number of persons employed by the Group within each category was:-

	Number of employees	
	2003	2002
Administration	312	372
Sales	169	167
Production	94	119
	575	658

The costs incurred in respect of these employees were:-

	Year ended 30 June 2003 £000	Period ended 30 June 2002 £000
Wages and salaries	13,091	17,370
Social security costs	1,334	1,717
Pension costs	7,266	764
	21,691	19,851

Notes (continued)

5 Employees (continued)

The Group operates the Dalgety Group Pension Scheme, an occupational pension scheme that has a defined benefit section and a defined contribution section. With effect from 30 November 2001, the defined benefit section was closed to further accrual. With effect from 3 December 2003, reflecting that the defined benefit section was in deficit (calculated according to the MFR) and that there was no reasonable prospect of this deficit being made up by the principal employers, the Trustee placed the Scheme in wind-up.

The defined benefit section provides benefits based on employees' length of service and final average earnings. The defined contribution section provides benefits based on the value of the assets in the employee's individual earmarked accounts. The assets of the scheme are held separate from the Company's assets in an independently administered fund.

The pension cost charged in the 12 month period of £7,266,000 (2002 15 months: £764,000) includes a £2,000,000 contribution made when the scheme went into wind-up and £4,085,000 write down of pension debtor arising because the accounts have been prepared on a break up basis with the remaining £1,181,000 based on the results of a full actuarial valuation carried out as at 30 September 2002 by an independent qualified actuary. The main assumptions used in this valuation were as follows:

Interest pre-retirement 6.4% pa, Interest post-retirement 4.9% pa, Pension increases in excess of Guaranteed Minimum Pension 2.3% pa, Increases to non-GMP pensions in deferment 2.2% pa.

At the date of the valuation, the market value of the scheme's assets was £35.7m, which represented 69% of the value of the scheme's past service ongoing liabilities. The pension cost from 1 July 2002 to 30 June 2003 is based on an update of the 30th September 2002 valuation to that date. Contributions for the year (paid into the defined contribution section) amounted to £339,000.

The following additional disclosures are required by FRS17:

Assumptions

The principal assumptions used by the independent qualified actuaries in updating the most recent valuations of the UK schemes for FRS 17 purposes were:

	At 30 June 2003	At 30 June 2002	At 31 March 2001
Discount rate	5.2%	5.8%	6.0%
Rate of increase in salaries	-	3.6%	3.3%
Rate of increase in payment and deferred pensions	2.6%	2.6%	2.3%
Price inflation	2.6%	2.6%	2.3%

The value of the assets and liabilities of each scheme separately and for all the schemes combined, together with the expected rates of return at the beginning and end of the accounting period were as follows:

	Long-term rate of return expected at 30 June 2003	Value at 30 June 2003 £m	Long-term rate of return expected at 30 June 2002	Value at 30 June 2002 £m	Long-term rate of return expected at 31 March 2001	Value at 31 March 2001 £m
Equities	7.5%	32.8	8.0%	37.4	7.8%	51.4
Government Bonds & Other	4.5%	9.1	5.0%	5.1	4.8%	0.0
Cash	3.5%	0.1			-	
Total market value of assets	6.8%	42.0	7.6%	42.5	7.8%	51.4
Present value of scheme liabilities	-	(64.4)	-	(49.6)	-	(43.4)
Deficit/(surplus)	-	(22.4)	-	(7.1)	-	8.0
Related deferred tax asset	-	-	-	2.1	-	0.0
Net pension (liability)/asset	-	(22.4)	-	(5.0)	-	8.0

Notes (continued)

5 Employees (continued)

If FRS 17 had been adopted in the financial statements, the net assets and profit and loss reserves at the respective balance sheet dates would be as follows:

Balance Sheet presentation	At 30 June 2003	At 30 June 2002	At 31 March 2001
	£m	£m	£m
Net assets excluding pension (liability)/asset	2.0	4.4	10.3
Pension liability (net of related deferred tax asset)	(22.4)	(5.0)	8.0
Net liability including pension liability	<u>(20.4)</u>	<u>(0.6)</u>	<u>18.3</u>

Analysis of the amount that would have been charged to operating profit	12 months to 30 June 2003	15 months to 30 June 2002
	£m	£m
Current Service Cost	0.3	1.0
Past Service Cost	-	-
Total Operating Charge	<u>0.3</u>	<u>1.0</u>

Analysis of the amount that would have been credited to other finance income	12 months to 30 June 2003	15 months to 30 June 2002
	£m	£m
Expected return on pension scheme assets	3.2	4.9
Interest on pension scheme liabilities	(2.8)	(3.2)
Net Return	<u>0.4</u>	<u>1.7</u>

Analysis of the movement in scheme deficit during the period	12 months to 30 June 2003	15 months to 30 June 2002
	£m	£m
(Deficit) / Surplus at start of period	(7.1)	8.0
Current Service Cost	(0.3)	(1.0)
Contributions Paid	0.3	0.2
Past Service Costs	-	-
Other finance income	0.4	1.7
Actuarial losses	(15.7)	(16.0)
Deficit at 30 June 2003	<u>(22.4)</u>	<u>(7.1)</u>

Analysis of the amount that would have been recognised in the statement of recognised gains and losses (STRGL)	12 months to 30 June 2003	15 months to 30 June 2002
	£m	£m
Actual return less expected return scheme assets	(3.2)	(11.3)
Experience losses	(3.1)	(0.7)
Gain/(Loss) in recognisable surplus	-	-
Changes in assumption underlying the present value of the scheme liabilities	(9.4)	(4.0)
Actuarial loss recognised in STRGL	<u>(15.7)</u>	<u>(16.0)</u>

Notes (continued)

5 Employees (continued)

History of Experience Gains and Losses

	12 months to June 2003	15 months to 30 June 2002
Difference between actual and expected return on Scheme assets		
Amount (£m)	(3.2)	(11.3)
Percentage of Scheme assets	-7.5%	-26.6%
Experience gains and losses on liabilities:		
Amount (£m)	(3.1)	(0.7)
Percentage of Scheme assets	-4.7%	-1.4%
Total amount recognised in statement of total recognised gains and losses:		
Amount (£m)	(15.8)	(16.0)
Percentage of scheme liabilities	-24.5%	-32.2%

6 Directors' remuneration

	Company	
	Year ended 30 June 2003 £000	Period ended 30 June 2002 £000
Aggregate directors' emoluments	415	898
Company contribution to money purchase pension scheme - aggregate	12	9
Emoluments of the highest paid director	153	221
Company contribution to money purchase pension scheme - highest paid director	6	4
The number of directors in the defined benefit pension scheme	-	-
The number of directors in the defined contribution pension scheme	2	3

7 Interest payable and similar charges

	Group	
	Year ended 30 June 2003 £000	Period ended 30 June 2002 £000
Bank loans and overdrafts	(1,106)	(1,752)
Unwinding of discount rate on onerous lease provision	(25)	(12)
	(1,131)	(1,764)

Notes (continued)

8 Factors affecting the tax charge for the current period

The tax assessed for the period differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Year ended 30 June 2003 £000	Period ended 30 June 2002 £000
Profit/(loss) on ordinary activities before tax	(9,177)	930
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK (30%).	(2,754)	279
Effects of:		
Expenses not deductible for tax purposes	850	-
Short term timing differences	1,239	-
Capital allowances in the period in excess of depreciation	1,146	-
Group relief claim	-	-
Unprovided deferred tax on current year losses	1,372	-
Adjustment for non-taxable income	(141)	(279)
Use of brought forward losses on which no deferred tax was provided	(49)	-
Capital gains	(1,663)	-
Current tax charge for the period	0	0

9 Intangible assets

	Group negative goodwill £000	Company negative goodwill £000
Cost		
At beginning of period	(52,295)	(9,600)
At 30 June 2003	(52,295)	(9,600)
Amortisation		
At beginning of period	47,367	4,672
Amortisation for the period	4,928	4,928
At 30 June 2003	52,295	9,600
Net book value		
At 30 June 2003	-	-
At 30 June 2002	(4,928)	(4,928)

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. The following sets out the periods over which goodwill is amortised and the reasons for the periods chosen:

Negative goodwill arising on the acquisition of Arable F Limited (formerly Dalgety Feed Limited, Arable A Limited (formerly Dalgety Arable Limited) and the business and assets of Arable S Limited (formerly Dalgety Supplements Limited) in May 1998 was in excess of the fair value of the non-monetary assets acquired. An amount equal to the

Notes (continued)

9 Intangible assets (continued)

fair value of the non-monetary assets acquired has been released to the profit and loss account commensurately with the recovery of the non-monetary assets acquired, whether through depreciation or sale.

Negative goodwill in excess of this amount of nil (2002: £3.9 million) has been released to the profit and loss account by equal instalments over the period.

10 Tangible fixed assets

Group	Land and buildings			Plant & machinery £000	Total £000
	Freehold £000	Long lease £000	Short lease £000		
Cost					
At beginning of the period	3,416	283	794	12,202	16,695
Additions	21	2	90	672	785
Disposals	(131)	(10)	(6)	(1,741)	(1,888)
At 30 June 2003	3,306	275	878	11,133	15,592
Depreciation					
At beginning of the period	(553)	(90)	(249)	(10,534)	(11,426)
Disposals	23	3	3	1,567	1,596
Impairment charge	(2,148)	-	(525)	(848)	(3,521)
Charge for the period	(103)	(28)	(68)	(452)	(651)
At 30 June 2003	(2,781)	(115)	(839)	(10,267)	(14,002)
Net book value					
At 30 June 2003	525	160	39	866	1,590
At 30 June 2002	2,863	193	545	1,668	5,269

The impairment charge reduces the net book value of fixed assets to net realisable value at the date of these accounts.

Notes (continued)

11 Fixed asset investments

	Group Shares in Group undertakings £000	Group Own shares held £000	Group Total £000	Company Shares in Group undertakings £000	Company Own shares held £000	Company Total £000
At beginning of period	36	84	120	23,024	84	23,108
Impairment provisions	(36)	(84)	(120)	(36)	(84)	(120)
At end of period	-	-	-	22,988	-	22,988

The principal undertakings in which the Group's interest at the period end is more than 20% are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held	
<u>Subsidiary undertakings</u>			Group	Company
Arable AG Limited (formerly Dalgety Agriculture Limited)	England	Dormant	100% ordinary	100% ordinary
Arable S Limited (formerly Dalgety Supplements Limited)	England	Dormant	100% ordinary	100% ordinary
Arable F Limited (formerly Dalgety Feed Limited)	England	Dormant	100% ordinary	100% ordinary
Arable A Limited (formerly Dalgety Arable Limited)	England	Agricultural merchants	100% ordinary	0%
Dalgety Agra Polska Sp Z.o.o	Poland	Agricultural merchants	100% ordinary	0%
Arable JH Limited (formerly John Hill Limited)	England	Dormant	100% ordinary	0%
Arable FQ Limited (formerly Fertiliquids Limited)	England	Dormant	100% ordinary	0%
Arable KW Limited (formerly Kenneth Wilson Limited)	England	Dormant	100% ordinary & deferred	0%
Arable Z Limited (formerly Bates of Ash Limited)	England	Dormant	100% ordinary & deferred	100% ordinary & deferred
Optima Feeds Limited	England	Dormant	100% ordinary	100% ordinary

In the opinion of the directors the aggregate value of the subsidiary undertakings is not less than the aggregate amount at which those assets are stated in the balance sheet.

<u>Associated undertakings</u>	Country of incorporation	Principal activity	Class and percentage of shares held	
			Group	Company
King's Lynn Silos Limited*	England	Dock installation	28.57%	28.57%

In the opinion of the directors the aggregate value of the associated undertakings is not less than the aggregate amount at which those assets are stated in the balance sheet.

*Not included in the consolidation on the basis it is immaterial.

Notes (continued)

12 Stocks

	Group 30 June 2003 £000	Group 30 June 2002 £000
Raw materials	776	772
Finished goods and goods for resale	10,872	14,512
	<u>11,648</u>	<u>15,284</u>

£2.2m of consignment stock was also held by the Group (2002: £2.2m).

In the opinion of the directors there is no material difference between book value and replacement cost at 30 June 2003.

13 Debtors

	Group 30 June 2003 £000	Company 30 June 2003 £000	Group 30 June 2002 £000	Company 30 June 2002 £000
Trade debtors	31,794	-	52,276	-
Amounts due from subsidiary undertakings	-	600	-	20,435
Other debtors	283	4	6,833	4,941
Cash deposit	1,360	-	1,630	-
Prepayments and accrued income	5,166	-	2,888	-
	<u>38,603</u>	<u>604</u>	<u>63,627</u>	<u>25,376</u>

Other debtors include nil (2002: £3.2 million) due after more than one year.

14 Creditors: amounts falling due within one year

	Group 30 June 2003 £000	Company 30 June 2003 £000	Group 30 June 2002 £000	Company 30 June 2002 £000
Bank loans and overdrafts	737	-	10,707	8,356
Trade creditors	43,343	-	58,369	-
Amounts due to subsidiary undertakings	-	22,988	-	22,988
Other creditors	2,599	175	1,430	-
Accruals	1,192	-	574	-
	<u>47,871</u>	<u>23,163</u>	<u>71,080</u>	<u>31,344</u>

The bank loans and overdraft are secured by a fixed and floating charge over the assets of the group.

Notes (continued)

15 Provision for liabilities and charges

				Group		Company
	Deferred taxation £000	Onerous Leases £000	Provision for sale of business £000	Total £000	Provision for sale of business £000	Total £000
At beginning of period	-	623	-	623	-	-
Provided during the year	-	50	3,420	3,470	438	438
Utilised during the period	-	(120)	-	(120)	-	-
Unwinding of discounted amount	-	25	-	25	-	-
At 30 June 2003	-	578	3,420	3,998	438	438

The onerous lease provision reflects expected net cash outflows relating to a property lease that is considered onerous. The premises are leased under a non-cancellable operating lease that runs until 30 June 2007. It is believed that any rental income generated by subletting will not exceed projected expenses. The provision is therefore based on the best estimate of the present value of these expected net cash flows, discounted at a rate of 4%, in accordance with Financial Reporting Standard No. 12.

The provision for the sale of the business reflects liabilities likely to be incurred before the Group can be wound up in an orderly manner following the sale of the Group's business undertakings to Masstock Arable (UK) Limited in December 2003

16 Current and deferred tax

Tax on profit on ordinary activities:

Analysis of charge in the period	Year ended 30 June 2003 £000	Period ended 30 June 2002 £000
Current tax:		
UK corporation tax on profits in the period	-	-
Adjustments in respect of previous periods	-	-
	<hr/>	<hr/>
Deferred tax:		
Origination and reversal of timing differences	-	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	-	-
	<hr/>	<hr/>

Notes (continued)

17 Called up share capital

	Company 30 June 2002 £	Movement in Period £	Company 30 June 2003 £
Authorised:			
'A' ordinary shares of 1p	3,936	-	3,936
'B' ordinary shares of 1p	600	-	600
'C' ordinary shares of 1p	840	-	840
'D' ordinary shares of 1p	624	-	624
	<hr/>	<hr/>	<hr/>
	6,000	-	6,000
	<hr/>	<hr/>	<hr/>
Allotted, called up and fully paid:			
'A' ordinary shares of 1p	3,936	-	3,936
'B' ordinary shares of 1p	600	-	600
'C' ordinary shares of 1p	840	-	840
'D' ordinary shares of 1p	624	-	624
	<hr/>	<hr/>	<hr/>
	6,000	-	6,000
	<hr/>	<hr/>	<hr/>

The C ordinary shares do not entitle the shareholder to attend, speak or vote at any general meeting of the company or at any meeting of a separate class of shareholders of the company. The four classes of shares rank pari passu in all other respects.

18 Employee Share Ownership Trust

The Company has established an Employee Share Ownership Trust. At 30 June 2003, the Trustee held 84,000 'C' Ordinary shares of 1p. None of these shares were under option or had been conditionally gifted to the beneficiaries of the Trust at 30 June 2003.

Notes (continued)

19 Share premium and reserves

	Share premium account £000	Group Profit and loss account £000
At the beginning of the period	594	8,717
Exchange difference	-	(123)
Retained loss for the period	-	(9,177)
	<hr/>	<hr/>
At 30 June 2003	594	(583)
	<hr/>	<hr/>

	Share premium account £000	Company Other reserves £000	Profit and loss account £000
At the beginning of the period	594	7,120	4,492
Retained loss for the period	-	-	(11,607)
	<hr/>	<hr/>	<hr/>
At 30 June 2003	594	7,120	(7,115)
	<hr/>	<hr/>	<hr/>

20 Contingent liabilities

The company has guaranteed the overdrafts of its subsidiaries. The amount outstanding at 30 June 2003 was £2.8 million (2002: £4.2 million).

Notes (continued)

21 Commitments

(a) Capital commitments at the end of the financial period, for which no provision has been made, are as follows:

	Group 30 June 2003 £000	Company 30 June 2003 £000	Group 30 June 2002 £000	Company 30 June 2002 £000
Contracted	-	-	28	-

(b) Annual commitments under non-cancellable operating leases are as follows:

	Group Land and Buildings £000	Group Other 30 June 2003 £000	Company Other £000	Group Land and Buildings £000	Group Other 30 June 2002 £000	Company Other £000
Operating leases which expire:						
Within one year	96	153	-	79	201	-
In the second to fifth years inclusive	235	685	-	341	1,042	-
Over five years	201	-	-	215	-	-
	<u>532</u>	<u>838</u>	<u>-</u>	<u>635</u>	<u>1,243</u>	<u>-</u>

22 Reconciliation of operating loss to operating cash flows

	Group Year ended 30 June 2003 £000	Group Period ended 30 June 2002 £000
Operating loss	(13,555)	(2,735)
Depreciation and amortisation	(756)	(2,458)
Decrease in stocks	3,636	10,308
Decrease/(Increase) in debtors	25,024	(10,789)
(Decrease)/Increase in creditors and provisions	(9,864)	28
Impairment of fixed asset investments	120	-
Net cash outflow from operating activities	<u>4,605</u>	<u>(5,646)</u>

Notes (continued)

23 Analysis of cash flows

	Group Year ended 30 June 2003		Group Period ended 30 June 2002	
	£000	£000	£000	£000
Returns on investment and servicing of finance				
Interest paid	(1,131)		(1,764)	
Net cash outflow		(1,131)		(1,764)
Capital expenditure				
Sale of tangible fixed assets	506		4,865	
Purchase of tangible fixed assets	(785)		(1,347)	
Sale of current assets held for resale	6,943		-	
Net cash inflow		6,664		3,518

24 Analysis of net debt

	At beginning of period £000	Cash flow £000	Exchange Differences £000	Group At end of Period £000
Cash in hand, at bank	5,018	(1,524)	-	3,494
Overdrafts	(15,725)	11,662	(123)	(4,186)
	(10,707)	10,138	(123)	(692)

25 Post Balance Sheet Events

On 3 December 2003, the Group sold the majority of its UK assets and all of its business undertakings in the UK to Masstock Arable (UK) Limited. All of the Group's employees in the UK transferred with the business on identical terms of employment. On the same date, the Group also granted Masstock Arable (UK) Limited a call option over its shares in Dalgety Agra Polska Sp Z.o.o. This option was exercised on 22 April 2004.

On 16 March 2004, the company changed its name from Dalgety Group Limited to Arable Holdings Limited.