Dalgety Group Limited

Directors' report and consolidated financial statements

Registered number 3522941

15 months ended 30 June 2002

Contents

Directors' report

The directors present their annual report and the audited financial statements for the period ended 30 June 2002.

Principal activities

The principal activity of the group is that of agricultural merchanting in the UK and Poland.

Business review

There was a marked recovery in sales of farm inputs in 2001/02 as the industry recovered from the effects of the appalling weather in autumn 2000. This recovery was especially strong in chemicals but higher than normal stocks of fertiliser on farm rolled over from 2000/01 means that the complete recovery in this sector will not be fully apparent until 2002/03. As forecast a year ago, the 2001 harvest was decimated by the wet weather with the effect that, at just over 11 million tonnes, the wheat harvest was reduced to levels last seen almost 20 years ago. Thus volumes to market were substantially reduced and export opportunities were severely restricted during 2001/02 but the recovery in the 2002 harvest has allowed the UK to resume a normal level of cereal exports. The contribution from crop marketing and grain trading is expected to show a noticeable increase in the current year.

At the beginning of the period, our seed plant at Baldersby was closed and we sold our plant at Swaffham to Gorham & Bateson, thus considerably reducing our seed production overheads in an industry still beset by over-capacity. In January 2001, we centralised our grain trading activities and, in March 2002, we reduced the number of accounting centres from five to one, based in Thorp Arch near Wetherby. This rationalisation has further reduced costs, the full effect of which will not be reflected in our results until next year. Redundancy costs in the period amounted to £0.7m.

Our arable business in Poland continues to grow and reported a profit for the first time in the fifteen months to June 2002.

The result for these fifteen months, although a loss, is a marked improvement on the year before and, with the sustained recovery in plantings during the autumn of 2002, this improvement is expected to continue into the current year. In addition, conditional planning approval for the old feed mill site on the water-front at Poole was granted unanimously at the Local Council Planning Committee in July 2002. It is expected that the sale for retail and residential development will complete early in 2003. The proceeds will materially reduce the Group's borrowings.

Finally, the Group's year end has been changed to June this year to reflect UK agriculture's cropping year.

Results and dividend

The result for the period is set out in the profit and loss account on page 5. The directors do not recommend the payment of a final dividend. The retained loss of £930,000 *(2001: loss of £8,777,000)* will be transferred to reserves.

Research and development

Research is undertaken into the development of the company'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
A J Taylor
A S Barnard
R P Green
K J Compson
P D Hunt
Sir David Naish

Directors' interests

The interests of the directors in office at 30 June 2002 in the share capital of the company were:

	No. of ordinary shares
P Kirk	62,400
A S Barnard	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

During the year our auditors, KPMG, transferred their business to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 10 June 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

AJ Taylor
Director
6 February 2003

The Mill
Brimscombe Port
Stroud

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.

kpmg

100 Temple Street
Bristol
BS1 6AG
United Kingdom

Report of the independent auditors to the members of Dalgety Group Limited

We have audited the financial statements on pages 5 to 27.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, 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.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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.

Going Concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the lack of certainty over the continuation and adequacy of the group's bank facilities and the sale of the property at Poole. In view of the significance of these matters, we consider that this note should be drawn to your attention but our opinion is not qualified in this respect.

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 2002 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

KPMG LLP
Chartered Accountants
Registered Auditors

7 February 2003

Consolidated profit and loss account

for the period ended 30 June 2002

	Note	**2002 15 months £000**	2001 12 months £000
Turnover	*2*		
Continuing operations		**595,452**	474,298
Discontinued operations		-	865
		595,452	475,163
Operating loss			
Continuing operations		**(2,735)**	(4,910)
Discontinued operations		-	(225)
		(2,735)	(5,135)
Operating loss before exceptional costs and goodwill amortisation		**(5,371)**	(9,104)
Impairment provision	*4*	-	(4,227)
Redundancy costs		**(671)**	(575)
Amortisation of goodwill	*9*	**3,307**	8,771
		(2,735)	(5,135)
Non operating items			
Profit on disposal of fixed assets		**3,569**	-
Profit on sale of discontinued operations		-	292
Profit / (Loss) on ordinary activities before interest		**834**	(4,843)
Interest payable	*7*	**(1,764)**	(934)
Loss on ordinary activities before taxation	*4*	**(930)**	(5,777)
Tax on loss on ordinary activities	*8*	-	2,000
Loss on ordinary activities after taxation		**(930)**	(3,777)
Dividends		-	(5,000)
Retained loss for the period		**(930)**	(8,777)

Balance sheet
At 30 June 2002

	Note	30 June 2002		31 March 2001	
		Group	**Company**	Group	Company
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets - Negative goodwill	*9*	**(4,928)**	**(4,928)**	(8,235)	(5,463)
Tangible assets	*10*	**5,269**	**-**	7,582	-
Investments	*11*	**120**	**23,108**	120	84
		461	**18,180**	(533)	(5,379)
Current assets					
Stocks	*12*	**15,284**	**-**	25,592	-
Debtors	*13*	**63,627**	**25,376**	52,971	15,584
Tangible assets held for resale		**1,648**	**-**	-	-
Cash at bank and in hand		**-**	**-**	-	1,185
		80,559	**25,376**	78,563	16,769
Creditors: amounts falling due within one year	*14*	**(71,080)**	**(31,344)**	(67,468)	(257)
Net current assets		**9,479**	**(5,968)**	11,095	16,512
Total assets less current liabilities		**9,940**	**12,212**	10,562	11,133
Provisions for liabilities and charges	*15*	**(623)**	**-**	(238)	-
Net assets		**9,317**	**12,212**	10,324	11,133
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*	**8,717**	**4,492**	9,724	3,413
Equity shareholders' funds		**9,317**	**12,212**	10,324	11,133

Notes on pages 9 to 27 form part of these accounts.

These financial statements were approved by the board of directors on 6 February 2003 and were signed on its behalf by:

R P Green
Director

Consolidated cash flow statement

for the period ended 30 June 2002

	Note	30 June 2002 £000	31 March 2001 £000
Cash flow from operating activities	*22*	**(5,646)**	(6,847)
Returns on investments and servicing of finance	*23*	**(1,764)**	(934)
Capital expenditure and financial investment	23	**3,518**	388
Acquisitions and disposals	*23*	-	1,000
Equity dividends paid		-	(5,000)
Cash outflow before management of liquid resources and financing		**(3,892)**	(11,393)
Financing	*23*	-	60
Increase/(decrease) in cash in the period		**(3,892)**	(11,333)

	Note	30 June 2002 £000	31 March 2001 £000
Reconciliation of net cash flow to movement in net debt			
Increase/(Decrease) in cash in the period		**(3,892)**	(11,333)
Exchange differences		**(77)**	(370)
Movement in net debt in the period		**(3,969)**	(11,703)
Net (debt)/funds at start of the period		**(6,738)**	4,965
Net (debt) at the end of the period	*24*	**(10,707)**	(6,738)

Consolidated statement of total recognised gains and losses
for the period ended 30 June 2002

	30 June 2002 15 months £000	31 March 2001 12 months £000
Loss for the financial period	**(930)**	(5,777)
Exchange differences on the retranslation of net investments	**(77)**	(370)
	(1,007)	(6,147)

Reconciliation of movements in shareholders' funds
for the period ended 30 June 2002

	Group 2002 £000	Company 2002 £000
At the beginning of the period	**10,324**	11,133
(Loss)/profit for the period	**(930)**	1,079
Exchange differences	**(77)**	-
Shareholders' funds at 30 June 2002	**9,317**	12,212

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.

(a) Basis of preparation

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons. The group meets its day to day working capital requirements through an invoice discounting facility which is repayable on three months notice and additional short term bank overdraft facilities when required. Funds are expected to be generated on completion of the sale of a property in Poole during the first quarter of 2003. This would result in a material reduction in the group's borrowings. Completion is dependent upon appropriate planning permission being obtained.

The directors have prepared projected cash flow information for the period ending 12 months from the date of their approval of these financial statements which show that on the basis that the property at Poole is sold and the bank continues to support the group, it will be able to continue to trade and to meet its liabilities as they fall due. On the basis of this cash flow information and discussions with the group's bankers, the directors consider that the group will continue to operate within the facility currently agreed and within that which they expect will be agreed in June 2003, when the group's bankers are due to renew the facility for a further period.

Whilst there can be no certainty over the sale of the Poole property and the bank renewing the facilities, the directors have no reason to believe that the sale will not proceed or the facilities will not be renewed and therefore have prepared the accounts on a going concern basis which they consider to be appropriate.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 June 2002. 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.

(c) Turnover

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

(d) 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.

(e) 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)*

(f) Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

(g) 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.

(h) 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.

(i) Research and development expenditure

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

(j) 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.

(k) Pensions

The group operates a pension scheme that has a defined benefit section and a defined contribution section. The defined benefits scheme provides benefits based on employees' length of service and final average earnings. The assets of the scheme are held separately from those of the company. Contributions to the scheme 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 scheme 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 scheme in respect of the accounting period.

(l) 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 Period ended 30 June 2002	Group Year ended 31 March 2001
	£000	£000
Analysis of turnover by geographical area		
Continuing operations		
UK	552,151	440,385
Continental Europe	43,301	33,913
	595,452	474,298
Discontinued activities	-	
UK		865
	-	865
	595,452	475,163

All turnover relates to arable merchanting.

	2002 £000	2001 £000
Analysis of profit/(loss) before interest and taxation by geographical area		
Continuing operations		
UK	459	(4,690)
Continental Europe	375	(228)
	834	(4,918)
Discontinued operations		
UK	-	75
	-	75
	834	(4,843)

Notes *(continued)*

2 Turnover and segmental information *(continued)*

Profit /(Loss) before interest and taxation

	Period ended 30 June 2002 £000	Year ended 31 March 2001 £000
Geographical area		
United Kingdom	459	(4,615)
Continental Europe	375	(228)
	834	(4,843)

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

	2002 £000	2001 £000
Arable merchanting	9,317	10,324
	9,317	10,324

Notes *(continued)*

3 Net operating expenses

	Continuing	Discontinued	Group Total	Continuing	Discontinued	Group Total
	Period ended 30 June 2002			Year ended 31 March 2001		
	£000	£000	£000	£000	£000	£000
Charges						
Changes in stocks of finished goods and work in progress	10,308	-	10,308	5,162	(586)	4,576
Raw materials and consumables	(569,399)	-	(569,399)	(446,124)	(312)	(446,436)
Other external charges	(11,818)	-	(11,818)	(10,381)	-	(10,381)
Staff costs (see note 5)	(19,851)	-	(19,851)	(18,258)	(192)	(18,450)
Depreciation and other amounts written off tangible and intangible fixed assets	(716)	-	(716)	(6,543)	-	(6,543)
Amortisation of negative goodwill	3,307	-	3,307	8,771	-	8,771
Other operating charges	(11,018)	-	(11,018)	(12,548)	-	(12,548)
Total charges	(599,187)	-	(599,187)	(479,921)	(1,090)	(481,011)
Income						
Other operating income	1,000		1,000	713	-	713
Net operating expenses	(598,187)	-	(598,187)	(479,208)	(1,090)	(480,298)

Notes *(continued)*

4 Loss on ordinary activities before taxation

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

	Group	
	Period ended 30 June 2002	Year ended 31 March 2001
	£000	£000
Amortisation of goodwill	**3,307**	8,771
Impairment provision relating to the write down of fixed assets in Dalgety Arable Ltd	**-**	(4,227)
Other depreciation	**(716)**	(2,316)
Royalties payable	**(3,482)**	(3,979)
Profit / (Loss) on sale of fixed assets	**3,569**	(402)
Operating lease cost:		
- plant and machinery	**(338)**	(580)
- other operating lease	**(1,618)**	(1,751)
Other hire plant and machinery	**(350)**	(168)
Auditors' remuneration - audit fees	**(97)**	(98)
- other	**(562)**	(97)
Research expenditure	**(100)**	(123)

The parent company audit fee for the year was £ Nil. Payments to the auditors by the parent company for non-audit services of £ 20,000 were made during the year.

5 Employees

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

	Number of employees	
	2002	2001
Administration	**372**	420
Sales	**167**	220
Production	**119**	119
	658	759

The costs incurred in respect of these employees were:-

	Period ended 30 June 2002	Year ended 31 March 2001
	£000	£000
Wages and salaries	**17,370**	16,490
Social security costs	**1,717**	1,219
Other pension costs	**764**	741
	19,851	18,450

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.

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 15 month period of £764,000 *(2001: £563,000)* is based on the results of a full actuarial valuation carried out as at 30^{th} September 1999 by an independent qualified actuary. This valuation used the projected unit method and was based on the following major assumptions; an investment return of 6%, a salary escalation rate of 3.75% and an allowance for increases in pension payments of 2.75% (pension in excess of Guaranteed Minimum Pension). At the date of the valuation, the market value of the scheme's assets was £69.0m which represented 122% of the value of the scheme's past service ongoing liabilities. The pension cost from 30 November 2001 (date of closure of the defined benefit scheme) is based on an update of the 30^{th} September 1999 valuation to that date. A prepayment of £4,928,000 *(2001: £5,463,000)* is included under debtors. The Group was on a pensions holiday until 30 November 2001, contributions for the remainder of the period (paid into the defined contribution section) amounted to £229,000.

The following additional disclosures are required by FRS17.

<u>Assumptions</u>

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 2002	At 31 March 2001
Discount rate	5.8%	6.0%
Rate of increase in salaries	3.6%	3.3%
Rate of increase in payment and deferred pensions	2.6%	2.3%
Price inflation	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 2002	**Value at 30 June 2002 £m**	Long-term rate of return expected at 31 March 2001	**Value at 31 March 2001 £m**
Equities	**8.0%**	**37.4**	7.8%	51.4
Government Bonds & Other	**5.0%**	**5.1**	4.8%	0.0
Total market value of assets	**7.6%**	**42.5**	7.8%	51.4
Present value of scheme liabilities	-	**(49.6)**	-	(43.4)
(Deficit)/surplus	-	**(7.1)**	-	8.0
Related deferred tax liability	-	**0.0**	-	0.0
Net pension (liability)/asset	-	**(7.1)**	-	8.0

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 2002**	At 31 March 2001
	£m	£m
Net assets excluding pension asset	**9.3**	10.3
Pension (liability)/asset (net of related deferred tax liability)	(7.1)	8.0
Net assets including pension assets	2.2	18.3

Analysis of the amount that would have been charged to operating profit	**15 months to 30 June 2002**
	£m
Current Service Cost	**1.0**
Past Service Cost	**0.0**
Total Operating Charge	**1.0**

Analysis of the amount that would have been credited to other finance income	**15 months to 30 June 2002**
	£m
Expected return on pension scheme assets	**4.9**
Interest on pension scheme liabilities	**(3.2)**
Net Return	**1.7**

Analysis of the movement in scheme surplus/deficit during the period	**15 months to 30 June 2002**
	£m
Surplus at 31 March 2001	**8.0**
Current Service Cost	**(1.0)**
Contributions Paid	**0.2**
Past Service Costs	**0.0**
Other finance income	**1.7**
Actuarial gains / (losses)	**(16.0)**
(Deficit) at 30 June 2002	**(7.1)**

Analysis of the amount that would have been recognised in the statement of recognised gains and losses (STRGL)	**15 months to 30 June 2002**	
	£m	
Actual return less expected return scheme assets	**(11.3)**	(27%)
Experience gains & (losses)	**(0.7)**	(2%)
Gain/(Loss) in recognisable surplus	**0.0**	0%
Changes in assumption underlying the present value of the scheme liabilities	**(4.0)**	8%
Actuarial gain/ (loss) recognised in STRGL	**(16.0)**	

Notes *(continued)*

6 Directors' remuneration

	Company	
	Period ended 30 June 2002 £000	Year ended 31 March 2001 £000
Aggregate directors' emoluments	**898**	1,029
Company contribution to money purchase pension scheme - aggregate	**9**	-
Emoluments of the highest paid director	**221**	177
Company contribution to money purchase pension scheme - highest paid director	**4**	-
The number of directors in the defined benefit pension scheme	**-**	6
The number of directors in the defined contribution pension scheme	**3**	-

7 Interest payable and similar charges

	Group	
	Period ended 30 June 2002 £000	Year ended 31 March 2001 £000
Bank loans and overdrafts	**(1,752)**	(914)
Unwinding of discount rate on onerous lease provision	**(12)**	(20)
	(1,764)	(934)

Notes *(continued)*

8 Tax on loss on ordinary activities

Analysis of charge in period

	2002 15 months £000	**£000**	2001 12 months £000	£000
UK Corporation tax				
Current tax on income for the period	**0**		0	
Total current tax		**0**		0
Deferred tax				
Adjustment in respect of previous years	**0**		(2,000)	
Tax on loss on ordinary activities		**0**		(2,000)
		0		(2,000)

Factors affecting the tax charge for the current period

The standard rate of tax for the year, based on the UK rate of corporation tax is 30%.

The actual tax charge for the current and the previous year is different from the standard rate for the reasons set out in the following reconciliation.

	2002 15 months £000	2001 12 months £000
Current tax reconciliation		
Loss on ordinary activities before tax	**930**	5,777
Current tax at 30% (2001:30%)	**279**	1,733
Effects of		
Unrelieved tax losses	**(279)**	(1,733)
Total current tax charge	**0**	0

Notes *(continued)*

9 Intangible assets

	Group negative goodwill £000	Company negative goodwill £000
Cost		
At beginning of period	(52,295)	(9,600)
At 30 June 2002	**(52,295)**	**(9,600)**
Amortisation		
At beginning of period	44,060	4,137
Amortisation for the period	3,307	535
At 30 June 2002	**47,367**	**4,672**
Net book value		
At 30 June 2002	**(4,928)**	**(4,928)**
At 31 March 2001	(8,235)	(5,463)

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 Dalgety Feed Limited, Dalgety Arable Limited and the business and assets of Dalgety Supplements in May 1998 was in excess of the fair value of the non-monetary assets acquired. An amount equal to the 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 £3.9 million has been released to the profit and loss account by equal instalments over the period ended 22 May 2002 being the period when the benefit of this negative goodwill was expected to arise. It is anticipated that the closing balance in respect of non-monetary assets of £4.9 million will be released over the next seven years.

Notes *(continued)*

10 Tangible fixed assets

Group	Land and buildings Freehold £000	Long lease £000	Short lease £000	Plant & Machinery £000	Total £000
Cost					
At beginning of the period	7,549	272	687	14,154	22,662
Additions	100	11	152	1,084	1,347
Disposals	(2,533)	-	(45)	(3,036)	(5,614)
Transferred to current assets held for disposal	(1,700)	-	-	-	(1,700)
At 30 June 2002	**3,416**	**283**	**794**	**12,202**	**16,695**
Depreciation					
At beginning of the period	(1,761)	(54)	(182)	(13,083)	(15,080)
Disposals	1,299	-	12	3,007	4,318
Charge for the period	(143)	(36)	(79)	(458)	(716)
Transferred to current assets held for disposal	52	-	-	-	52
At 30 June 2002	**(553)**	**(90)**	**(249)**	**(10,534)**	**(11,426)**
Net book value					
At 30 June 2002	**2,863**	**193**	**545**	**1,668**	**5,269**
At 31 March 2001	5,788	218	505	1,071	7,582

Notes *(continued)*

11 Fixed asset investments

	Group Shares in Group undertakings	Group Own shares held	Group Total	Company Shares in Group undertakings	Company Own shares held	Company Total
	£000	£000	£000	£000	£000	£000
At beginning of period	36	84	120	-	84	84
Additions	-	-	-	23,024	-	23,024
At end of period	**36**	**84**	**120**	**23,024**	**84**	**23,108**

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	
Subsidiary undertakings			Group	Company
Dalgety Agriculture Limited	England	Dormant	100% ordinary	100% ordinary
Dalgety Supplements Limited	England	Non trading	100% ordinary	100% ordinary
Dalgety Feed Limited	England	Non trading	100% ordinary	100% ordinary
Dalgety Arable Limited	England	Agricultural merchants	100% ordinary	0%
Dalgety Agra Polska Sp z.00	Poland	Agricultural merchants	100% ordinary	0%
John Hill Limited	England	Dormant	100% ordinary	0%
Fertiliquids Limited	England	Dormant	100% ordinary	0%
Kenneth Wilson Limited	England	Dormant	100% ordinary & deferred	0%
Bates of Ash Limited	England	Holding of investments	100% ordinary & deferred	100% ordinary & deferred
Optima Feeds Limited	England	Non trading	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.

Associated undertakings	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.

The shares in Bates of Ash Limited, Optima Feeds Limited and Kings Lynn Silos were acquired from Dalgety Feed Ltd.

Notes *(continued)*

12 Stocks

	Group 30 June 2002 £000	Group 31 March 2001 £000
Raw materials	**772**	646
Finished goods and goods for resale	**14,512**	24,946
	15,284	25,592

In the opinion of the directors there is no material difference between book value and replacement cost at 30 June 2002.

13 Debtors

	Group 30 June 2002 £000	**Company 30 June 2002 £000**	Group 31 March 2001 £000	Company 31 March 2001 £000
Trade debtors	**52,276**	**-**	43,903	-
Amounts due from subsidiary undertakings	**-**	**20,435**	-	10,121
Other debtors	**6,833**	**4,941**	8,491	5,463
Cash deposit	**1,630**	**-**	-	-
Prepayments and accrued income	**2,888**	**-**	577	-
	63,627	**25,376**	52,971	15,584

14 Creditors: amounts falling due within one year

	Group 30 June 2002 £000	**Company 30 June 2002 £000**	Group 31 March 2001 £000	Company 31 March 2001 £000
Bank loans and overdrafts	**10,707**	**8,356**	6,738	-
Trade creditors	**58,369**	**-**	57,109	-
Amounts due to subsidiary undertakings	**-**	**22,988**	-	-
Other creditors	**1,430**	**-**	2,280	19
Accruals	**574**	**-**	1,341	238
	71,080	**31,344**	67,468	257

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	Onerous Leases	**Total**	Deferred Taxation	**Total**
	£000	£000	**£000**	£000	**£000**
At beginning of period	-	238	**238**	-	-
Created during period	-	623	**623**		
Utilised during the period	-	(250)	**(250)**	-	-
Unwinding of discounted amount	-	12	**12**	-	-
At 30 June 2002	-	**623**	**623**	-	-

A provision of £623,000 has been recognised for 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 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.

16 Deferred tax

The amounts provided for deferred taxation and the amounts not provided are set out below:

	Group 2002 Provided	**Unprovided**	**Company 2002 Provided**	**Unprovided**
	£000	**£000**	**£000**	**£000**
Other timing difference - asset/(liability)	-	-	-	-
Released in the period	-	-	-	-
	-	-	-	-

Notes *(continued)*

17 Called up share capital

	Company 31 March 2001 £	Movement in Period £	Company 30 June 2002 £
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**
	6,000	-	**6,000**
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**
	6,000	-	**6,000**

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 2002 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 2002.

Notes *(continued)*

19 Share premium and reserves

	Group	
	Share premium account £000	Profit and loss account £000
At the beginning of the period	594	9,724
Dividend	-	-
Exchange difference	-	(77)
Retained loss for the period	-	(930)
At 30 June 2002	**594**	**8,717**

		Company	
	Share premium account £000	Other reserves £000	Profit and loss account £000
At the beginning of the period	594	7,120	3,413
Retained profit for the period	-	-	1,079
At 30 June 2002	**594**	**7,120**	**4,492**

20 Contingent liabilities

The company has guaranteed the overdrafts of its subsidiaries. The amount outstanding at 30 June 2002 was £ 4.2 million *(2001: £7.7 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 2002 £000	**Company 30 June 2002 £000**	Group 31 March 2001 £000	Company 31 March 2001 £000
Contracted	**28**	**-**	117	-

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

	Group Land and Buildings	**Group Other**	**Company Other**	Group Land and Buildings	Group Other	Company Other
		30 June 2002			31 March 2001	
	£000	**£000**	**£000**	£000	£000	£000
Operating leases which expire:						
Within one year	**79**	**201**	**-**	15	459	-
In the second to fifth years inclusive	**341**	**1,042**	**-**	834	1,243	-
Over five years	**215**	**-**	**-**	40	-	-
	635	**1,243**	**-**	889	1,702	-

22 Reconciliation of operating profit to operating cash flows

	Group Period ended 30 June 2002 £000	Year ended 31 March 2001 £000
Operating loss	**(2,735)**	(5,135)
Depreciation and amortisation	**(2,458)**	(2,228)
Loss on sale of fixed assets	**-**	402
Decrease in stocks	**10,308**	4,576
(Increase)/Decrease in debtors	**(10,789)**	22,489
Increase/(Decrease) in creditors and provisions	**28**	(26,951)
Net cash outflow from operating activities	**(5,646)**	(6,847)

Notes (continued)

23 Analysis of cash flows

	Group Period ended 30 June 2002		Group Year ended 31 March 2001	
	£000	**£000**	£000	£000
Returns on investment and servicing of finance				
Interest paid	**(1,764)**		(934)	
Net cash outflow		**(1,764)**		(934)
Capital expenditure				
Purchase of tangible fixed assets	**(1,347)**		(1,200)	
Sale of tangible fixed assets	**4,865**		1,588	
Net cash inflow		**3,518**		388
Acquisitions and disposals				
Disposal of businesses	-		-	
Disposal of minority interest			1,000	
Net cash inflow		-		1,000
Financing				
Issue of ordinary share capital	-		60	
Net cash inflow		-		60

24 Analysis of net debt

	At beginning of period £000	Cash flow £000	**Group At end of Period £000**
Cash in hand, at bank	8,817	(3,799)	**5,018**
Overdrafts	(15,555)	(170)	**(15,725)**
	(6,738)	(3,969)	**(10,707)**