

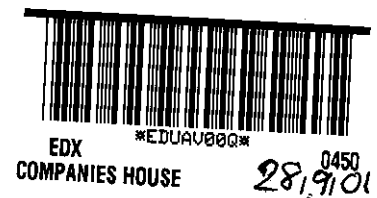
**SCATS GRAIN LIMITED**

Report and Financial Statements

Year Ended

30 June 2001

**DELOITTE & TOUCHE**  
Chartered Accountants and  
Registered Auditors



**SCATS GRAIN LTD**

**Annual report and financial statements for the year ended 30 June 2001**

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**Directors**

A W Christie-Miller  
T H Pollock  
S Browne  
D A Dowty  
J E Keith  
E C Phillips  
J L Rowlands  
G E Sharkey  
B M Stratton

**Secretary and registered office**

C V Bryant  
Continental House  
Herbert Walker Avenue  
Western Docks  
Southampton  
SO15 1HJ

**Company number**

3548572

**Auditors**

Deloitte & Touche  
Mountbatten House  
1 Grosvenor Square  
Southampton  
SO15 2BZ

**Bankers**

HSBC Bank Plc  
35 London Road  
Cowplain  
Hampshire  
PO8 8DF

# **SCATS GRAIN LTD**

**Annual report and financial statements for the year ended 30 June 2001**

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## **Contents**

### **Page:**

1	Report of the directors
3	Statement of directors' responsibilities
4	Independent auditors' report
5	Profit and loss account
6	Statement of total recognised gains and losses
7	Balance sheet
8	Notes to the financial statements

## **SCATS GRAIN LTD**

### **Report of the directors for the year ended 30 June 2001**

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The directors present their report together with the audited financial statements for the year ended 30 June 2001.

#### **Results and dividends**

The results of the company for the year are set out on page 5 and show a loss before taxation for the year of £153,000. (2000 - profit of £30,000).

The directors do not recommend payment of a dividend (2000 - nil).

#### **Principal activities, review of business and future developments**

The principal activity of the company is grain trading and marketing. In addition, the company supplies seed and fertiliser inputs to farmers as an agent for SCATS Agriproducts Limited. All activities remain within the UK.

On 1 October 2001 the company will re-register as a public limited company and change its name to Grainfarmers plc.

#### **Research and development**

The company did not engage in any significant research and development activity in the trading year.

#### **Market value of land and buildings**

Land and buildings are included in the balance sheet at their original cost adjusted for the fair value of additions, disposals and depreciation. In the opinion of the directors, their market value did not differ materially from their net book values.

#### **Changes in fixed assets**

These are detailed in notes 10 and 11 to the financial statements.

#### **Euro**

The potential impact of the Euro on the business has been assessed. The directors do not believe that the introduction of the Euro has had a material effect upon the company's business operations.

#### **Charitable and political contributions**

During the year the company made no political or charitable donations.

#### **Employment**

The number of staff on the company's payroll over the year averaged 114 (2000 - 103).

The company seeks to employ staff who are competent to carry out their required duties irrespective of race, sex, creed or physical disability. Training is provided for staff as required and it is the company's policy to promote from within wherever possible.

The company has a progressive attitude to safety at work; during the year to 30 June 2001 12 accidents were reported, which resulted in 166 days of absence from work (2000 - 1 accident and 121 days of absence).

#### **Policy on the payment of creditors**

The company's policy is to:

- 1) Settle all debts on the terms published by the company
- 2) Abide by those terms

The company does not follow any specific payment code, but seeks to pay all suppliers on a fair basis. At the year end trade creditor days were 17 (2000 - 18 days).

## SCATS GRAIN LTD

### Report of the directors for the year ended 30 June 2001 (Continued)

#### Directors and their interests

No director who was a director during the year ended 30 June 2001 had a beneficial interest in any contract with the company except:

- 1) In respect of non-executive farmer directors, transactions entered into in the normal course of business as between the company and member as disclosed in note 24.
- 2) In respect of executive directors, service agreements and contracts of employment.

The directors who held office during the year and their non-beneficial interests in the company's share capital are given below:

	Ordinary shares of £1 each	
	30 June 2001 Shares	30 June 2000 Shares
A W Christie-Miller	-	-
T H Pollock	-	-
S M Browne	-	-
A J Cocks (resigned 1 June 2001)	-	-
D A Dowty	-	-
J E Keith (appointed 28 June 2001)	-	-
S H P Maxwell (resigned 31 January 2001)	-	-
E C Phillips	-	-
J L Rowlands (appointed 1 June 2001)	-	-
G E Sharkey (appointed 1 March 2001)	-	-
B M Stratton	-	-

There have been no changes in the above shareholdings between 30 June 2001 and 20 September 2001.

With the exception of Mr E C Phillips and Mr G E Sharkey, the directors are also directors of Southern Counties Agricultural Trading Society Limited, the parent undertaking. Their interests in the ordinary share capital of that company are shown in the directors' report of that company.

No director has any interest in the shares of any of the fellow subsidiary companies or joint ventures except Mr A W Christie-Miller who holds as nominee one ordinary share of £1 in SCATS Countrystores plc, on behalf of Southern Counties Agricultural Trading Society Limited.

#### Issue of Shares

On 30 June 2001 the company issued 1,500,000 redeemable ordinary shares of £1 each, increasing the total issued share capital to £4,000,000.

#### Auditors

Deloitte & Touche were appointed during the year to fill a casual vacancy and a resolution to re-appoint them will be proposed at the annual general meeting.

#### By order of the Board



C V Bryant  
Secretary

Date: 20 September 2001

## SCATS GRAIN LTD

### Statement of directors' responsibilities

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Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

## SCATS GRAIN LTD

### Independent auditors' report to the members of SCATS Grain Ltd

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We have audited the financial statements of SCATS Grain Limited for the year ended 30 June 2001, which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

#### *Respective responsibilities of directors and auditors*

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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 company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

#### *Basis of opinion*

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### *Opinion*

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**DELOITTE & TOUCHE**  
*Chartered Accountants  
and Registered Auditors*  
Mountbatten House  
1 Grosvenor Square  
Southampton  
SO15 2BZ

Date: 20 September 2001

**SCATS GRAIN LTD**

**Profit and loss account for the year ended 30 June 2001**

	Note	Year ended 30 June 2001 £'000	17 months ended 30 June 2000 as restated (note 25) £'000
<b>Value of throughput</b>		181,015	127,612
Less: Agency sales		(30,345)	(16,486)
<b>Turnover</b>	2	150,670	111,126
Cost of sales		(139,810)	(101,363)
<b>Gross profit</b>		10,860	9,763
Distribution costs		(4,553)	(4,795)
Administrative expenses		(6,039)	(4,540)
<b>Operating profit</b>	3	268	428
Reorganisation costs	4	-	(200)
<b>Profit on ordinary activities before interest and other income</b>		268	228
Interest payable and similar charges	8	(421)	(198)
<b>(Loss)/ profit on ordinary activities before taxation</b>		(153)	30
Taxation on (loss)/ profit on ordinary activities	9	-	-
<b>Retained (loss)/ profit for the financial year</b>	19	(153)	30

All amounts relate to continuing activities.

The notes on pages 8 to 19 form part of these financial statements.



**SCATS GRAIN LTD****Statement of total recognised gains and losses for the year ended 30 June 2001**

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	Year ended 30 June 2001 £'000	17 months ended 30 June 2000 as restated (note 25) £'000
(Loss)/ profit attributable to the shareholders of the company	(153)	30
Total recognised gains or losses relating to the year	(153)	30
Prior period adjustments (as explained in note 25)	183	-
Total recognised gains and losses since last annual report and financial statements	30	30

SCATS GRAIN LTD

Balance sheet at 30 June 2001

	Note	2001 £'000	2001 £'000	2000 as restated (note 25) £'000	2000 as restated (note 25) £'000
<b>Fixed assets</b>					
Intangible assets - goodwill	10	40		50	
negative goodwill	10	(509)		(522)	
			(469)		(472)
Tangible assets	11		5,141		3,784
Investments	12		106		-
			4,778		3,312
<b>Current assets</b>					
Stocks	13	2,790		1,341	
Debtors	14	10,348		8,771	
Cash at bank and in hand		2		2	
		13,140		10,114	
<b>Creditors: amounts falling due within one year</b>	15	(13,057)		(9,559)	
<b>Net current assets</b>			83		555
<b>Total assets less current liabilities</b>			4,861		3,867
<b>Creditors: amounts falling due after more than one year</b>	16		(678)		(851)
<b>Provision for liabilities and charges</b>	17		-		(180)
			4,183		2,836
<b>Capital and reserves</b>					
Called up share capital	18		4,000		2,500
Profit and loss account	19		183		336
<b>Equity shareholders' funds</b>	20		4,183		2,836

The financial statements were approved by the Board on 20 September 2001.

  
T H Pollock  
Director

  
J L Rowlands  
Director

The notes on pages 8 to 19 form part of these financial statements.

# SCATS GRAIN LTD

## Notes to the financial statements for the year ended 30 June 2001

### 1 Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. Other policies not separately disclosed in the financial statements are explained below.

The principal accounting policies are:

#### *Turnover*

Turnover represents sales to external customers at invoiced amount less value added tax and trade discounts.

#### *Goodwill*

Goodwill arising on an acquisition of a trading operation is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is amortised through the profit and loss account over the directors' estimate of its useful economic life, in line with the company's depreciation policy.

Goodwill which arose on the acquisition of a business prior to the implementation of FRS10 which was written off to the profit and loss reserve as a matter of accounting policy remains eliminated in that reserve, and will be charged or credited in the profit and loss account as appropriate on the subsequent disposal of the business to which it relates.

#### *Depreciation*

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets (except for investment properties and freehold land) evenly over their expected useful lives. The rates and periods applicable are:

Freehold buildings	-	40 years
Leasehold land and buildings	-	length of lease
Grain storage facility	-	20 years
Plant and machinery	-	4 - 10 years
Vehicles	-	3 - 8 years
Fixtures, fittings, tools and equipment	-	3 - 10 years

#### *Investments*

Investments held as fixed assets are stated at cost less any provision for impairment in value.

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value. Cost is calculated as follows:

Grain stocks	-	cost of purchase on a weighted average basis, together with attributable overheads.
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Net realisable value is based on estimated selling price less further costs of disposal.

#### *Foreign currency*

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

**1 Accounting policies (*Continued*)***Deferred taxation*

Deferred tax is provided under the liability method using the tax rates estimated to arise when the timing differences reverse, and is accounted for to the extent that it is possible that a liability or asset will crystallise.

*Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balances of capital repayments outstanding. The capital element reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

*Pension costs*

Contributions are made by the company to the parent undertaking's defined benefit pension scheme. These are charged to the profit and loss account, so as to spread the cost of pensions over employees' expected working lives with the company.

**2 Turnover**

Turnover is derived from the company's principal activity, which it carried out wholly within the UK.

**3 Operating profit**

	Year ended 30 June 2001 £'000	17 months ended 30 June 2000 as restated £'000
This is arrived at after charging/(crediting):		
Depreciation	353	422
Amortisation of goodwill	(3)	(13)
Operating lease rentals - land and buildings	128	138
- other assets	530	154
Auditors' remuneration - audit services	18	20
	<hr/>	<hr/>

# SCATS GRAIN LTD

## Notes to the financial statements for the year ended 30 June 2001 (Continued)

### 4 Exceptional costs

	Year ended 30 June 2001 £'000	17 months ended 30 June 2000 £'000
Reorganisation costs	-	200

During the prior period a significant restructuring programme was undertaken to attain synergies from the integration of the grain trading division acquired from Countrywide Farmers plc.

### 5 Employees

The average monthly number of employees of the company during the period, including executive directors, was as follows:

	Year ended 30 June 2001 No.	17 months ended 30 June 2000 No.
Direct	30	35
Administration	84	68
	<u>114</u>	<u>103</u>
Staff costs for all employees, including executive directors, consist of:		
	£'000	£'000
Wages and salaries	2,844	2,146
Social security costs	224	164
Pension costs – defined benefit scheme	6	10
	<u>3,074</u>	<u>2,320</u>

### 6 Pensions

The company contributes to a defined benefit pension scheme for its employees based on final pensionable salary. The assets of the fund are held by Royal & Sun Alliance Insurance Company and are administered by the scheme trustees. Company contributions to the scheme are charged to profit and loss account so as to spread the cost of providing pensions over the working lives of employees. The amount charged during the year was £6,000 (2000 - £10,000).

Contributions to the pension scheme are made on the advice of a qualified actuary of the Royal and Sun Alliance Insurance Company using the Projected Unit method with a three year control period.

The latest actuarial assessment was at 1 August 2000. At that date the market value of the scheme's assets was £32,588,000. The funding level of the scheme based on actuarial assumptions was 200%. The funding level was determined by comparing the market value of the fund's assets with the value of the benefits accrued to date. Allowance is made for future accrued salary increases of 5.0% p.a. The future investment return assumed in assessing the present value of future benefits was 6.75% p.a. The investment return assumptions were based on notional investment in the F T Actuaries All Share Index incorporating a dividend growth of 5.25% p.a.

The actuary made a further assessment as at 31 August 2000 which was submitted to the Company on 17 July 2001. The actuary's advice on contribution rate is under consideration by the Trustees and the Company.

# SCATS GRAIN LTD

## Notes to the financial statements for the year ended 30 June 2001 (Continued)

### 7 Directors

	Year ended 30 June 2001 £'000	17 months ended 30 June 2000 £'000
Emoluments:		
Salaries and taxable benefits	248	152
Pension contributions (defined benefit scheme)	3	1
	<u>251</u>	<u>153</u>
Included above:		
The average number of remunerated executive directors	<u>4</u>	<u>2</u>
In respect of the highest paid director:		
Salary and taxable benefits	<u>103</u>	<u>143</u>

The highest paid director had an accrued pension of £5,000 p.a. as at 30 June 2001 (£3,000 p.a. at 30 June 2000) as a member of a defined benefit pension scheme to which both he and the company have contributed.

Retirement benefits are accruing to 3 directors (2000 - 4) under the parent undertaking's defined benefit pension scheme.

### 8 Interest payable and similar charges

	Year ended 30 June 2001 £'000	17 months ended 30 June 2000 £'000
Interest on finance leases	51	60
Interest on bank overdraft	370	138
	<u>421</u>	<u>198</u>

### 9 Taxation on (loss)/ profit on ordinary activities

Based on the results and the availability of group relief, no corporation tax charge has been provided.

SCATS GRAIN LTD

Notes to the financial statements for the year ended 30 June 2001 (*Continued*)

10 Intangible assets

	Negative Goodwill £'000	Positive Goodwill £'000	Total Goodwill £'000
<i>Cost</i>			
At 1 July 2000	(535)	50	(485)
Additions	-	-	-
	<hr/>	<hr/>	<hr/>
At 30 June 2001	(535)	50	(485)
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At 1 July 2000 (as originally stated)	(166)	-	(166)
Prior period adjustment (note 25)	153	-	153
	<hr/>	<hr/>	<hr/>
At 1 July 2000 (as restated)	(13)	-	(13)
(Credit)/ charge for the year	(13)	10	(3)
	<hr/>	<hr/>	<hr/>
At 30 June 2001	(26)	10	(16)
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 30 June 2001	(509)	40	(469)
	<hr/>	<hr/>	<hr/>
At 30 June 2000 (as restated)	(522)	50	(472)
	<hr/>	<hr/>	<hr/>

# SCATS GRAIN LTD

## Notes to the financial statements for the year ended 30 June 2001 (Continued)

### 11 Tangible assets

	Land and Buildings £'000	Grain Storage Facilities £'000	Plant, machinery and vehicles £'000	Fixtures and fittings £'000	TOTAL £'000
<i>Cost</i>					
At 1 July 2000 (as originally stated)	1,494	-	234	563	2,291
Prior period adjustment	-	1,915	-	-	1,915
At 1 July 2000 (as restated – see note 25)	1,494	1,915	234	563	4,206
Transfers from parent undertaking	1,250	-	750	-	2,000
Additions	-	-	215	155	370
Disposals	-	-	-	-	-
At 30 June 2001	2,744	1,915	1,199	718	6,576
<i>Depreciation</i>					
At 1 July 2000 (as originally stated)	39	-	55	78	172
Prior period adjustment	-	250	-	-	250
At 1 July 2000 (as restated – see note 25)	39	250	55	78	422
Transfers from parent undertaking	-	-	660	-	660
Charge for the year	39	83	70	161	353
Disposals	-	-	-	-	-
At 30 June 2001	78	333	785	239	1,435
<i>Net book value</i>					
At 30 June 2001	2,666	1,582	414	479	5,141
At 30 June 2000 (as restated – see note 25)	1,455	1,665	179	485	3,784

#### Land and buildings

The net book value of land and buildings may be further analysed as:

	2001 £'000	2000 £'000
Freehold	2,624	1,404
Short Leasehold	42	51
	2,666	1,455

The value of non-depreciated land included above is £256,000 (2000 - £95,000).



# SCATS GRAIN LTD

Notes to the financial statements for the year ended 30 June 2001 (Continued)

## 12 Investments

	2001 £'000	2000 as restated (note 25) £'000
Investments held in storage facilities	30	-
Investments held in fellow subsidiary	75	-
Investments held in farmer controlled grain groups	1	-
	<u>106</u>	<u>-</u>

The investment in joint venture is as below:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
SCATS Agriproducts Limited	UK	50%	Seed & fertiliser trading

The above investment was transferred to SCATS Grain Limited from its parent company, The Southern Counties Agricultural Trading Society Limited, on the 30 June 2001. The provisions of the shareholders' agreement of SCATS Agriproducts Limited rests the control of the company equally between its two shareholders.

Consolidated accounts have not been prepared as SCATS Grain Limited is itself a wholly owned subsidiary of The Southern Counties Agricultural Trading Society Limited. Consequently these accounts present information about the company itself rather than the group.

SCATS Agriproducts Limited has been consolidated as a joint venture within The Southern Counties Agricultural Trading Society Limited accounts under the gross equity method.

## 13 Stocks

	2001 £'000	2000 £'000
Grain stocks	<u>2,790</u>	<u>1,341</u>

Stock includes an interest element of £40,000 (2000 - £16,000).

## 14 Debtors

	2001 £'000	2000 £'000
Trade debtors	8,803	8,083
Amounts owed by fellow group undertakings	569	44
Amounts owed by participating interest	87	-
Other debtors	220	293
Prepayments and accrued income	669	351
	<u>10,348</u>	<u>8,771</u>

# SCATS GRAIN LTD

Notes to the financial statements for the year ended 30 June 2001 (Continued)

## 15 Creditors: amounts falling due within one year

	2001 £'000	2000 as restated (note 25) £'000
Bank overdraft	5,579	3,633
Trade creditors	6,391	5,067
Amounts owed for grain storage facilities	140	128
Amounts owed to fellow group undertakings	2	9
Other creditors	150	222
Accruals and deferred income	795	500
	<u>13,057</u>	<u>9,559</u>

The bank overdraft is secured by a fixed and floating charge over the assets of the company and the assets of the parent company undertaking, The Southern Counties Agricultural Trading Society Limited.

## 16 Creditors: amounts falling due after more than one year

	2001 £'000	2000 as restated (note 25) £'000
Amounts owed for grain storage facilities	461	601
Other creditors	217	250
	<u>678</u>	<u>851</u>
In one to two years		
Amounts owed for grain storage facilities	151	140
Other creditors	217	250
In two to five years		
Amounts owed for grain storage facilities	310	461
	<u>678</u>	<u>851</u>

# SCATS GRAIN LTD

Notes to the financial statements for the year ended 30 June 2001 (*Continued*)

## 17 Provisions for liabilities and charges

	2001 £'000	2000 £'000
Provision for reorganisation costs	-	180

The provision relates to reorganisation costs following the acquisition of the grain trading division of Countrywide Farmers plc as described in note 4.

## 18 Share capital

	2001 £'000	2000 £'000
<i>Authorised</i>		
2,000,000 ordinary shares of £1 each	2,000	2,000
3,000,000 (2000 - 1,500,000) redeemable ordinary shares of £1 each	3,000	1,500
<i>Allotted, called up and fully paid</i>		
1,000,000 ordinary shares of £1 each	1,000	1,000
3,000,000 (2000 - 1,500,000) redeemable ordinary shares of £1 each	3,000	1,500
	4,000	2,500

The company increased its authorised share capital to £5,000,000 by an ordinary resolution dated 28 June 2001 creating 1,500,000 redeemable ordinary shares of £1 each.

On 30 June 2001 the company issued £1,500,000 redeemable ordinary shares of £1 each (final redeemable date 29 June 2031). These were issued for cash at par. The shares are redeemable at the option of the shareholder, and no redemption premium is payable. All shares rank equally in respect of voting rights and rights in the event of a winding up.

## 19 Reserves

	2001 £'000	2000 £'000
<i>Profit and loss account</i>		
At 1 July 2000/1 February 1999 (as originally stated)	153	-
Prior period adjustments as explained in note 25	183	306
At 1 July 2000/1 February 1999 (as restated)	336	306
(Loss)/ profit for the year (as restated)	(153)	30
At 30 June 2001	183	336

# SCATS GRAIN LTD

Notes to the financial statements for the year ended 30 June 2001 (*Continued*)

## 20 Reconciliation of movements in shareholders' funds

	2001 £'000	2000 £'000
(Loss)/ profit for the year	(153)	30
New share capital subscribed	1,500	2,500
Net addition to shareholders' funds	1,347	2,530
Opening shareholders' funds (as originally stated)	2,653	-
Prior period adjustments (note 25)	183	306
Opening shareholders' funds (as restated)	2,836	306
Closing shareholders' funds	4,183	2,836

## 21 Contingent liabilities

The company has guaranteed the bank borrowings of its fellow group undertakings. At the year end the contingent liability in respect of these guarantees totalled £969,000 (2000 - £1,883,000).

## 22 Commitments under operating leases

As at 30 June 2001, the company had annual commitments under non-cancellable operating leases as set out below:

	2001		2000	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	118	31	-	36
In two to five years	-	409	118	329
After five years	40	46	20	46
	158	486	138	411

## 23 Capital commitments

The company had the following commitments in respect of capital expenditure not provided for in these financial statements:

	2001 £'000	2000 £'000
Contracts placed for future expenditure	103	175

## SCATS GRAIN LTD

Notes to the financial statements for the year ended 30 June 2001 (*Continued*)

### 24 Related party transactions

The company has taken advantage of the exemption contained within FRS8 not to present details of transactions with other group companies as it is a wholly owned subsidiary of The Southern Counties Agricultural Trading Society Limited, as such transactions are eliminated on consolidation.

Sales were made during the year on normal trading terms to the following related parties: SCATS Agriproducts Ltd - £420,000, Weald Granary Ltd - £71,000, Wiltshire Grain Ltd - £16,000, Hampshire Grain Ltd - £17,000, Crop Marketing (Groups) Limited - £59,000 (2000: all nil).

As at 30 June 2001, the following amounts were due from the following related parties: Weald Granary Ltd - £72,000, Wiltshire Grain Ltd - £5,000 (2000: SCATS Agriproducts Limited - £8,000).

As at 30 June 2001, the following amounts were due to the following related parties: Hampshire Grain Ltd - £36,000, Crop Marketing (Groups) Ltd - £35,000. (2000: Weald Granary Ltd - £44,000, Wiltshire Grain Ltd - £74,000, Hampshire Grain Ltd - £127,000).

Purchases were made during the year on normal trading terms to the following related parties: SCATS Agriproducts Ltd - £126,000, Weald Granary Ltd - £733,000, Wiltshire Grain Ltd - £1,544,000, Hampshire Grain Ltd - £1,743,000, Crop Marketing (Groups) Ltd - £4,079,000 (2000: Weald Granary Ltd - £525,000, Wiltshire Grain Ltd - £742,000, Hampshire Grain Ltd - £560,000).

Non-executive farmer directors enter into transactions with the company in the normal course of business, which are at arm's length and on the same terms as are available to other members of the parent undertaking with a similar size of enterprise.

The value of these transactions in aggregate was: -

	2001 £'000	2000 £'000
Sales to the company	274	182
Purchases from the company	-	-

### 25 Prior period adjustments

The prior period adjustments represent:

- (a) The effects of a change in the company's accounting policy for investments in grain storage facilities. Previously, advance payments in respect of shared facilities were treated as loans, with annual re-payments charged through the profit and loss account. Management consider this policy does not give a true and fair view. The accounts are now drawn up recognising the company's investment in the facilities as a fixed asset together with the related liability after recognition of interest on the loan balance outstanding. The fixed asset is depreciated in accordance with the company's existing policy for such facilities. Operating costs continue to be charged to the profit and loss account.

This prior period adjustment gives rise to a net cumulative increase in shareholders' funds of £336,000 at 30 June 2000, of which an increase of £30,000 relates to the 17 months ended 30 June 2000 and £306,000 to the position at the commencement of the period. The comparative figures for the 17 months ended 30 June 2000 result in a increase in the profit before tax of £30,000. Had the new policies not been adopted in the current year the profit before tax would have been reduced by £45,000.

- (b) In the course of preparing the current year's accounts it has been identified that £153,000 of negative goodwill was credited to the profit and loss account in the prior period in error. The prior period adjustment to correct this reduces the profit in the 17 months ended 30 June 2000 by £153,000 and reserves at that date by the same sum. There is no effect on previous periods or on the result for the current year.

## SCATS GRAIN LTD

Notes to the financial statements for the year ended 30 June 2001 (*Continued*)

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### 26 Ultimate controlling party

The company's ultimate parent undertaking is Southern Counties Agricultural Trading Society Limited, which is incorporated in England and registered with the Registrar of Friendly Societies. Copies of the group's consolidated financial statements can be obtained from its registered office at Continental House, Herbert Walker Avenue, Western Docks, Southampton, SO15 1HJ.