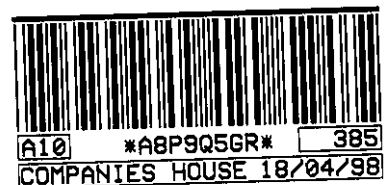


Carrs Agriculture Limited

Annual report

for the year ended 30 August 1997

Registered no: 189740



Carrs Agriculture Limited

Annual report for the year ended 30 August 1997

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Directors' report for the year ended 30 August 1997

The directors present their report and the audited financial statements for the year ended 30 August 1997.

Principal activities

The principal activities of the company continued to be the manufacture and supply of agricultural products.

Review of business

The profit for the year on ordinary activities after taxation amounted to £804,149.

The company performed well despite the difficult market conditions attributed, in the main, to the BSE issue which undermined confidence within the farming community. The excess milk production resulting from the delay in the BSE culling programme reduced demand, and therefore prices, for cattle feed. The company also had to contend with severe competition from imports of cheap Russian fertiliser and consequently the margins on fertiliser were lower than the prior year. Other parts of the business traded successfully and the directors are satisfied with the result.

Dividends

The directors have declared an ordinary dividend payable in respect of the year ended 30 August 1997 of £819,000 (1996: £1,200,000).

Directors

The directors who held office during the year were:

C N C Holmes	(Chairman)
R C Wood	
J E Tudor	
H G Mountain	
D Monaghan	
R Tomlinson	
S A Denby	
J Crawford	
P J Copus	

D Monaghan, S Denby and R Tomlinson retire by rotation and, being eligible, offer themselves for re-election.

R C Wood, J E Tudor and C N C Holmes are directors of the ultimate parent company and their interests are shown in the financial statements of that company.

Other directors who held office at 30 August 1997 had the following interests in the shares of the ultimate parent company:

	Number of ordinary shares of £1 each	
	At 30 August 1997	At 1 September 1996
H G Mountain	6,050	6,050
J Crawford	1,000	1,000
S A Denby	4,000	2,000

Other than the above, no director has any interest in the shares of the company or any other subsidiary of the company's ultimate parent company.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 August 1997. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Creditors' terms and creditor days

It is the company's policy to agree terms of payment with its suppliers when agreeing the terms of a business transaction or transactions. All suppliers are aware of this procedure and the company abides by the agreed payment terms. The amount of trade creditors shown in the balance sheet at the end of the financial year represents 48 days of average purchases for goods and services made dur

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'R C Wood', followed by a period.

R C Wood
Secretary

Stanwix
Carlisle

27 November 1997

Report of the auditors to the members of Carrs Agriculture Limited

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

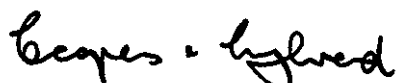
Basis of opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of 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 at 30 August 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand

Chartered Accountants and Registered Auditors

Leeds

27 November 1997

Profit and loss account for the year ended 30 August 1997

	Notes	1997 £	1996 £
Turnover	2	55,109,681	59,049,616
Cost of sales		(49,573,753)	(53,387,475)
Gross profit		5,535,928	5,662,141
Other operating expenses	3	(3,841,239)	(3,710,825)
Operating profit		1,694,689	1,951,316
Other income	4	-	130,235
Profit on ordinary activities before interest		1,694,689	2,081,551
Interest receivable	7	19,846	896
Interest payable	8	(472,386)	(352,319)
Profit on ordinary activities before taxation	9	1,242,149	1,730,128
Tax on profit on ordinary activities	10	(438,000)	(540,158)
Profit for the year		804,149	1,189,970
Dividends	11	(819,000)	(1,200,000)
Deficit for the year	23	(14,851)	(10,030)

All items dealt with in arriving at operating profit for 1997 and 1996 relate to continuing operations.

The company has no recognised gains and losses in the year, other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

Note of historical cost profits and losses

	1997 £	1996 £
Reported profit on ordinary activities before taxation	1,242,149	1,730,128
Difference between historical cost depreciation charge and actual charge on revalued amount of fixed assets	26,389	24,663
Historical cost profit on ordinary activities before taxation	1,268,538	1,754,791
Historical cost profit for the year after taxation and dividends	11,538	14,633

Balance sheet at 30 August 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	12	7,561,859	7,651,184
Investments	13	55,474	55,474
		<u>7,617,333</u>	<u>7,706,658</u>
Current assets			
Stocks	14	5,134,987	5,045,307
Debtors	15	8,772,014	9,547,848
Cash at bank and in hand		981,430	1,214,348
		<u>14,888,431</u>	<u>15,807,503</u>
Creditors: amounts falling due within one year	16	(17,817,530)	(18,670,220)
Net current liabilities		<u>(2,929,099)</u>	<u>(2,862,717)</u>
Total assets less current liabilities		<u>4,688,234</u>	<u>4,843,941</u>
Creditors: amounts falling due after more than one year	17	(233,698)	(304,471)
Provisions for liabilities and charges	18	(510,000)	(560,000)
Government grants	19	(73,534)	(93,617)
		<u>(817,232)</u>	<u>(958,088)</u>
Net assets		<u>3,871,002</u>	<u>3,885,853</u>
Capital and reserves			
Called-up share capital	21	101,520	101,520
Revaluation reserve	22	1,738,909	1,738,909
Profit and loss account	22	2,030,573	2,045,424
Equity shareholders' funds	23	<u>3,871,002</u>	<u>3,885,853</u>

The financial statements on pages 5 to 16 were approved by the board of directors on 27 November 1997 and were signed on its behalf by:

R C Wood



C N C Holmes
Directors



Notes to the financial statements for the year ended 30 August 1997

1 Principal accounting policies

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

Basis of accounting and going concern

The financial statements have been prepared under the historical cost basis of accounting.

These financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The financial statements do not include any adjustments that would result if the company was unable to continue trading. The company's parent has confirmed its intention to arrange the provision of such financial assistance as may be necessary to enable the company to meet any liabilities as they fall due.

Turnover

Turnover represents the value of goods invoiced to customers during the year less returns and excluding VAT.

Depreciation

Depreciation is calculated to write off the cost or valuation of all tangible fixed assets, other than freehold land which is not depreciated, in equal annual instalments over their estimated useful lives at the following rates:

Freehold and long leasehold properties	2%
Short leasehold properties	over the period of the lease
Plant and equipment	5% - 20%
Motor vehicles	20% - 25%

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes production overheads where appropriate.

Deferred taxation

Deferred taxation is provided under the liability method to take account of all timing differences between profits as stated in the financial statements and as computed for tax purposes to the extent that it is considered with reasonable probability that such a liability will crystallise.

Government grants

Grants received in respect of capital expenditure are recognised in the profit and loss account in equal annual instalments over the estimated useful lives of the assets concerned.

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 amounts capitalised are the present values of the minimum lease payments. The corresponding commitments are shown as obligations under finance leases.

Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account using the actuarial method.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account as incurred.

Pension costs

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services. Employees are members of the Carr's Milling Industries PLC defined benefit pension scheme. Details of this scheme are disclosed in the parent company's financial statements.

Cash flow statement

The company is a wholly owned subsidiary of Carr's Milling Industries PLC and cash flows of the company are included in the consolidated group cash flow statement of Carr's Milling Industries PLC. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

2 Segmental analysis

In the opinion of the directors all the activities of the company fall into one class of business, namely the manufacture and supply of agricultural products. All activities were conducted in the United Kingdom.

3 Other operating expenses

	1997 £	1996 £
Distribution costs	2,403,680	2,417,920
Administrative expenses	1,437,559	1,292,905
	<u>3,841,239</u>	<u>3,710,825</u>

4 Other income

Other income in the year ended 31 August 1996 related to the disposal of a participating interest in a pharmaceutical business.

5 Directors' emoluments

	1997	1996
	£	£
Aggregate emoluments including benefits	319,575	336,420
Company contributions to money purchase schemes	27,148	8,948

Retirement benefits are accruing to one director under money purchase pension schemes and to six directors under a defined pension scheme.

Highest paid director	1997	1996
	£	£
Aggregate emoluments including benefits	97,438	107,910
Company contributions to money purchase scheme	27,148	8,948
Defined benefit scheme:		
Accrued pension at end of year	53,000	53,000
Accrued pension at start of year	53,000	52,000

6 Employee information

The average monthly number of persons (including executive directors) employed during the year was:

	1997	1996
	Number	Number
By activity		
Sales, office and management	116	113
Manufacturing and distribution	129	122
	245	235

	1997	1996
	£	£
Staff costs (for the above persons):		
Wages and salaries	3,504,439	3,412,111
Social security costs	324,513	294,093
Other pension costs (see note 20)	233,195	203,945
	4,062,147	3,910,149

7 Interest receivable

	1997	1996
	£	£
Interest from trade debtors	356	277
Bank interest	6,163	619
On amounts owed by group companies	13,327	-
	19,846	896

8 Interest payable

	1997 £	1996 £
On bank overdraft	125,220	109,404
On finance leases	53,786	58,882
On amounts owed to group companies	159,173	145,733
Other	134,207	38,300
	<u>472,386</u>	<u>352,319</u>

9 Profit on ordinary activities before taxation

	1997 £	1996 £
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Amortisation of government grants	(20,083)	(27,516)
Rent receivable	(39,626)	(34,000)
Depreciation charge for the year:		
Tangible owned fixed assets	612,508	565,976
Tangible fixed assets held under finance leases	290,792	210,637
Auditors' remuneration for audit	34,000	38,400
Hire of plant and machinery	2,553	6,898
Hire of other assets	9,771	54,038
(Profit)/loss on disposal of tangible fixed assets	(99,128)	2,362
	<u></u>	<u></u>

10 Tax on profit on ordinary activities

	1997 £	1996 £
United Kingdom corporation tax at 32.2% (1996: 33%):		
Current	442,000	524,766
Group relief	-	65,234
Deferred	(50,000)	6,000
(Over)/under provision in respect of prior years:		
Current	46,000	13,158
Deferred	-	(69,000)
	<u>438,000</u>	<u>540,158</u>

11 Dividends

	1997 £	1996 £
Ordinary dividends payable at £8.07 per share (1996: £11.82)	<u>819,000</u>	<u>1,200,000</u>

12 Tangible fixed assets

	Land and buildings	Plant equipment and motor and vehicles	Assets in course of construction	Total
	£	£	£	£
Cost or valuation				
At 1 September 1996	3,870,494	9,379,160	4,825	13,254,479
Additions	53,132	917,793	45,900	1,016,825
Disposals	-	(868,632)	-	(868,632)
Transfers to group companies	-	(28,000)	-	(28,000)
Reclassification	-	4,825	(4,825)	-
At 30 August 1997	3,923,626	9,405,146	45,900	13,374,672
Depreciation				
At 1 September 1996	106,548	5,496,747	-	5,603,295
Charge for the year	76,687	826,613	-	903,300
Transfers from group companies	-	(5,600)	-	(5,600)
Eliminated in respect of disposals	-	(688,182)	-	(688,182)
At 30 August 1997	183,235	5,629,578	-	5,812,813
Net book value				
At 30 August 1997	3,740,391	3,775,568	45,900	7,561,859
Net book value				
At 31 August 1996	3,763,946	3,882,413	4,825	7,651,184
Cost or valuation at 30 August 1997 is represented by:				
Valuation in 1995	2,499,000	-	-	2,499,000
Cost	1,424,626	9,405,146	45,900	10,875,672
	3,923,626	9,405,146	45,900	13,374,672

Land and buildings, with the exception of the mill and properties constructed or land acquired since 1995, was revalued at open market value for existing use, at 31 August 1995 by Carigiet Cowen, Chartered Surveyors. The mill at Silloth-on-Solway was revalued on the basis of depreciated replacement cost by G.F.Singleton and Company, Chartered Surveyors, at 31 August 1995.

The net book value of tangible fixed assets includes an amount of £529,226 (1996: £647,134) in respect of assets held under finance leases. If land and buildings had not been revalued they would have been included at the following amounts:

	1997 £	1996 £
Cost	2,536,499	2,483,367
Aggregate depreciation based on cost	422,070	371,772
Land and buildings at net book value comprise:		
Freeholds	3,365,991	3,381,746
Long leaseholds	374,400	382,200
	3,740,391	3,763,946

13 Fixed asset investments

	1997 £	1996 £
Investment in subsidiaries	55,421	55,421
Unlisted investments	53	53
	55,474	55,474

The company holds 100% of the ordinary share capital of Thos. Edmondson Limited, a dormant company registered in England and Wales.

Consolidated accounts have been not prepared as the company is a wholly owned subsidiary of a company incorporated in Great Britain.

14 Stocks

	1997 £	1996 £
Work in progress	66,696	55,773
Raw materials and consumables	1,068,298	1,077,950
Finished goods and goods for resale	3,999,993	3,911,584
	5,134,987	5,045,307

15 Debtors

	1997 £	1996 £
Amounts falling due within one year		
Trade debtors	6,958,489	7,831,666
Amounts owed by fellow subsidiary undertakings	1,644,832	1,445,882
Other debtors	101,334	66,567
Prepayments and accrued income	67,359	203,733
	<u>8,772,014</u>	<u>9,547,848</u>

16 Creditors: amounts falling due within one year

	1997 £	1996 £
Obligations under finance leases	264,228	281,613
Payments on account	235,000	536,685
Trade creditors	7,862,894	7,834,528
Amounts owed to parent company	2,173,171	2,157,810
Amounts owed to fellow subsidiary undertakings	5,402,086	5,335,694
Corporation tax	462,201	406,617
Group taxation relief payable	-	202,259
Other taxation and social security payable	209,072	168,606
Other creditors	212,229	319,494
Accruals	177,649	226,914
Dividends payable	819,000	1,200,000
	<u>17,817,530</u>	<u>18,670,220</u>

17 Creditors: amounts falling due after more than one year

	1997 £	1996 £
Obligations under finance leases	<u>233,698</u>	<u>304,471</u>
	1997 £	1996 £
Obligations under finance leases are repayable as follows:		
In one year or less	264,228	281,613
Between one and two years	180,236	186,143
Between two and five years	53,462	118,328
	<u>497,926</u>	<u>586,084</u>

18 Provisions for liabilities and charges

	Deferred taxation £
At 1 September 1996	560,000
Transferred to profit and loss account	(50,000)
At 30 August 1997	510,000

Deferred taxation

Deferred taxation provided in the financial statements is as follows:

	Amount provided	
	1997	1996
	£	£
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	553,000	605,000
Other	(43,000)	(45,000)
	510,000	560,000

Full provision has been made for all aspects of deferred taxation

19 Government grants

	£
At 1 September 1996	93,617
Amortisation in year	(20,083)
At 30 August 1997	73,534

20 Pension obligations

The company participates in a group pension scheme operated by Carr's Milling Industries PLC. This pension scheme is of the defined benefit type and its assets are held in a separate trustee administered fund. The fund is valued every three years by a professional qualified actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. The latest actuarial assessment of the Scheme was at 1 January 1995. Particulars of the valuation are contained in the accounts of Carr's Milling Industries PLC.

The company also participates in a money purchase scheme. The assets are held separately from those of the group and invested with an insurance company. The pension cost charge includes contributions payable by the company to this scheme.

The pension cost for the year charged to the profit and loss account is shown in note 6.

21 Called-up share capital

	1997 £	1996 £
Authorised		
120,000 ordinary shares of £1 each	<u>120,000</u>	<u>120,000</u>
Allotted, called-up and fully paid		
101,520 ordinary shares of £1 each	<u>101,520</u>	<u>101,520</u>

22 Reserves

	Revaluation reserve £	Profit and loss account £
At 1 September 1996	1,738,909	2,045,424
Deficit for the year	-	(14,851)
At 30 August 1997	<u>1,738,909</u>	<u>2,030,573</u>

23 Reconciliation of movements in equity shareholders' funds

	1997 £	1996 £
Opening equity shareholders' funds	3,885,853	3,938,606
Deficit for the year	(14,851)	(10,030)
Goodwill written off	-	(42,723)
Closing equity shareholders' funds	<u>3,871,002</u>	<u>3,885,853</u>

24 Capital commitments

	1997 £	1996 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>165,034</u>	<u>22,800</u>

25 Other financial commitments

At 30 August 1997, the company had annual commitments under non-cancellable operating leases with respect to assets other than land and buildings as follows:

	1997	1996
	£	£
Expiring within one year	-	7,480
Expiring within two and five years inclusive	2,457	3,861
	<u>2,457</u>	<u>11,341</u>

26 Group banking arrangements

The company has given an unlimited cross guarantee with regard to all amounts owing to Clydesdale Bank PLC by its parent company and fellow subsidiary companies. At 30 August 1997 the aggregate amount outstanding under these group banking arrangements was £779,330 (1996: £1,712,382).

27 Related party disclosure

The company is a wholly owned subsidiary of Carr's Milling Industries PLC whose consolidated financial statements are publicly available. Consequently, there are no disclosures required for transactions or balances with any entity in the Carr's Milling Industries PLC group of companies under the terms of Financial Reporting Standard No. 8. There were no other transactions or balances with any related parties.

28 Ultimate parent company

The directors regard Carr's Milling Industries PLC, a company registered in England and Wales, as the ultimate parent company. According to the register kept by the company, Carr's Milling Industries PLC has a 100% interest in the equity capital of Carrs Agriculture Limited at 30 August 1997. Copies of the parent company's consolidated financial statements may be obtained from Carr's Milling Industries PLC, Old Croft, Stanwix, Carlisle, CA3 9BA.