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HEYGATE GRAIN LIMITED
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28TH MARCH, 1998



HEYGATE GRAIN LIMITED

DIRECTORS

P. M. Heygate
A. R. Heygate
Mrs. A.E. Tetley

SECRETARY

A. C. Greene

BANKERS

Midland Bank plc.,
3 Wood Hill,
Northampton.
NN1 2DE

AUDITORS

Towers Rockall,
62a Billing Road,
Northampton.
NN1 5DL

REGISTERED OFFICE

Bugbrooke Mills,
Bugbrooke,
Northampton.
NN7 3QH

COMPANY NUMBER

1522607

HEYGATE GRAIN LIMITED**REPORT OF THE DIRECTORS**

The directors present their report and audited financial statements for the year ended 28th March, 1998.

PRINCIPAL ACTIVITY

The principal activity of the company was the purchase of farmers and merchants' grain for sale to group companies for processing at the Bugbrooke, Tring and Downham Market sites and for sale to third parties.

REVIEW OF THE BUSINESS

As a result of the expansion of the company's activities as described above, turnover continued to rise during the year with profits after taxation up 47% on the previous year.

RESULTS AND DIVIDENDS

The trading profit for the year after taxation amounted to £430,540 (1997 - £291,565).

The directors have recommended and paid the following dividend in respect of the year ended 28th March, 1998:

Ordinary dividend paid £3.40 per share £ 67,813

The balance of the profit for the year has been added to revenue reserves.

FUTURE DEVELOPMENTS

The directors are hopeful that they will be able to continue to expand the company's marketing of grain products during the next financial year.

YEAR 2000 COMPLIANCE

The company has undertaken a complete review of all systems which express dates using only the last two digits of the year and are confident that these will be year 2000 compliant by 31st March, 1999.

FIXED ASSETS

There were no changes in fixed assets during the year.

DIRECTORS AND THEIR INTERESTS

The directors in office at the end of the year are listed below:-

P.M. Heygate
A.R. Heygate
Mrs. A.E. Tetley

All served on the board throughout the year.

Mr. A.R. Heygate and Mr. P.M. Heygate each held 4,780 ordinary £1 shares in Heygate Grain Limited as principal trustees of family trusts at 28th March, 1998 and 30th March, 1997. The directors also held shares in the parent company and in fellow subsidiaries at 28th March, 1998 and 30th March, 1997 as follows:

At 28th March, 1998

	Heygate and Sons Limited					County Pride Products Limited	Trolave Limited	Heygate Farms Swaffham Limited
	Preference Shares	A	B	C	D	Ordinary Shares		
	No.	No.	No.	No.	No.	No.	No.	No.
A.R. Heygate	7,878	6,608	13,528	327,716	-	666	232	8,716
P.M. Heygate	-	6,608	13,528	-	-	666	232	8,716
Mrs. A.E. Tetley	-	-	-	678	-	2	-	2

At 30th March, 1997

	Heygate and Sons Limited					County Pride Products Limited	Trolave Limited	Heygate Farms Swaffham Limited
	Preference Shares	A	B	C	D	Ordinary Shares		
	No.	No.	No.	No.	No.	No.	No.	No.
A.R. Heygate	7,878	13,208	133,528	327,716	7,568	666	232	8,716
P.M. Heygate	7,872	13,208	71,654	327,716	10,234	666	232	8,716
Mrs. A.E. Tetley	-	105,670	-	156,678	-	2	-	2

HEYGATE GRAIN LIMITED**REPORT OF THE DIRECTORS (CONTINUED)****DIRECTORS AND THEIR INTERESTS - CONTINUED**

The directors also held the following shares in the holding company as principal trustees of family trusts at 28th March, 1998 (none held as trustees at 30th March, 1997):

At 28th March, 1998

	Preference Shares	Heygate and Sons Limited			
		A	B	C	D
	No.	No.	No.	No.	No.
A.R. Heygate	-	6,600	120,000	-	7,568
P.M. Heygate	7,872	6,600	58,126	327,716	10,234
Mrs. A.E. Tetley	-	105,670	-	156,000	-

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 at the end of each financial year and of the results of the company 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;
- ♦ follow applicable Accounting Standards, 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 company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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.

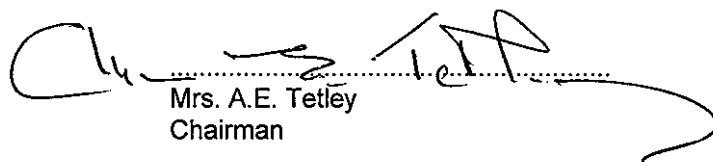
POLITICAL AND CHARITABLE CONTRIBUTIONS

The company made no political or charitable contributions during the year or the previous year.

AUDITORS

A resolution in accordance with Section 385 of the Companies Act 1985 to re-appoint Towers Rockall as auditors will be put to the members at the Annual General Meeting.

This report was approved by the Board
on 11th December, 1998
and signed on its behalf by:


Mrs. A.E. Tetley
Chairman

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
HEYGATE GRAIN LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

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 as at 28th March, 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



TOWERS ROCKALL
Chartered Accountants and
Registered Auditors
11th December, 1998

62a Billing Road,
NORTHAMPTON.
NN1 5DL

HEYGATE GRAIN LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 28TH MARCH, 1998**

	Note	1998 £	1997 £
Turnover	2	35,035,530	32,534,567
Cost of sales		<u>(34,073,925)</u>	<u>(31,805,046)</u>
Gross profit		961,605	729,521
Distribution costs		299,740	272,293
Administrative expenses		<u>48,931</u>	<u>41,534</u>
		<u>(348,671)</u>	<u>(313,827)</u>
Profit on ordinary activities before taxation	4	612,934	415,694
Tax on profit on ordinary activities	5	<u>(182,394)</u>	<u>(124,129)</u>
Profit on ordinary activities after taxation		430,540	291,565
Dividends on equity shares	6	<u>(67,813)</u>	<u>(44,876)</u>
Retained profit for the financial year		<u>£ 362,727</u>	<u>£ 246,689</u>

Statement of retained profits

Retained profits brought forward	606,139	359,450
Retained profit for the financial year	<u>362,727</u>	<u>246,689</u>
Retained profits carried forward	<u>£ 968,866</u>	<u>£ 606,139</u>

Continuing Operations

None of the company's activities were acquired or discontinued during the above two financial years.

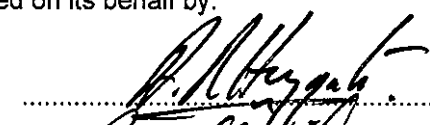
Total Recognised Gains and Losses

The company has no recognised gains or losses other than the profit for the above two financial years.

HEYGATE GRAIN LIMITED**BALANCE SHEET AT 28TH MARCH, 1998**

	Note	1998 £	1997 £
Fixed assets			
Tangible assets	7	131,992	148,859
Current assets			
Stocks	8	1,570,733	139,084
Debtors	9	6,673,387	4,287,227
Cash at bank		-	545,985
		8,244,120	4,972,296
Creditors: amounts falling due within one year	10	(7,288,396)	(4,392,066)
Net current assets		955,724	580,230
Total assets less current liabilities		1,087,716	729,089
Provision for liabilities and charges			
Deferred taxation	11	(22,900)	(27,000)
Net assets		£ 1,064,816	£ 702,089
Capital and reserves			
Called up share capital	12	19,945	19,945
Share premium account		76,005	76,005
Profit and loss account		968,866	606,139
Shareholders' funds	13	£ 1,064,816	£ 702,089

These financial statements were approved by the Board on 11th December, 1998 and were signed on its behalf by:


.....A.R. Heygate)
) Directors

.....P. M. Heygate)

HEYGATE GRAIN LIMITED**CASH FLOW STATEMENT FOR THE YEAR ENDED 28TH MARCH, 1998**

	Cash flow note	1998 £	1997 £
Net cash (outflow)/ inflow from operating activities	1	(548,505)	607,687
Taxation		(144,438)	(72,270)
		(692,943)	535,417
Equity dividends paid		(67,813)	(44,876)
		(760,756)	490,541
(Decrease)/increase in cash		(760,756)	490,541

Reconciliation of net cash flow to movement in net funds

			£
(Decrease)/increase in cash in the period	2	(760,756)	490,541
Net funds at 30th March, 1997		545,985	55,444
		545,985	55,444
Net funds at 28th March, 1998		£ (214,771)	£ 545,985

The notes on page 7 form part of this cash flow statement

HEYGATE GRAIN LIMITED**NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 28TH MARCH, 1998****1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES:**

	1998	1997
	£	£
Operating profit	612,934	415,694
Grant credited to profit and loss account	(23,733)	(33,184)
Depreciation	16,867	25,440
(Increase) in stocks	(1,431,649)	(139,084)
(Increase) in debtors	(2,386,088)	(1,676,589)
Increase in creditors	<u>2,663,164</u>	<u>2,015,410</u>
Net cash (outflow)/inflow from operating activities	<u>£ (548,505)</u>	<u>£ 607,687</u>

2. ANALYSIS OF CHANGES IN NET FUNDS

	At	Cash	At
	30.3.97	flows	28.3.98
	£	£	£
Cash at bank and in hand	545,985	(760,756)	(214,771)

HEYGATE GRAIN LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH MARCH, 1998****1. ACCOUNTING POLICIES****Accounting convention**

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:-

Silo buildings	:	3% per annum
Plant and machinery	:	10% per annum

Stocks

Stocks are stated at the lower of cost and net realisable value and comprise purchases for resale. Purchases for resale are valued at cost price, calculated on a first in first out basis. Net realisable value is based on estimated selling prices less further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred taxation is the taxation attributable to timing differences between profits computed for taxation purposes and profits as stated in the financial statements and has been provided for, on the liability basis, in full. Transfers to and from deferred taxation are calculated at the rate of corporation tax that it is estimated will be in force when the timing differences reverse.

Government grant received - FEOGA Grant

The grant received is being amortised over the total remaining useful life of the assets to which it relates, as follows:

Silo buildings	:	over 27 years
Plant and machinery	:	over 4 years

The expenditure on these assets was incurred in 1986/87 but, due to the uncertainty over the receipt of the grant, its recognition and amortisation in the accounts was delayed until its actual receipt in the year ended 27th March, 1993.

Pension contributions

The employees of the company, with the exception of the directors, are members of the Heygate Group Pension and Life Assurance Scheme which provides benefits based upon final pensionable pay. The assets of the scheme are held in a separate trustee administered fund, being invested with insurance companies and managed funds.

Pension fund liabilities are assessed by an independent professionally qualified actuary on the basis of triennial valuations using the discounted cash flow forward method.

In accordance with Statement of Standard Accounting Practice No 24, pension costs are charged against profits using actuarial valuation methods intended to spread the pension cost evenly over the average service periods of the current employees in the scheme.

HEYGATE GRAIN LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH MARCH, 1998****2. TURNOVER**

Turnover represents the invoiced amount of goods sold and services provided stated net of value added tax.

The turnover and pretax profit is wholly attributable to the merchandising and handling of grain. An analysis of turnover by geographical market is given below:

	1998	1997
	£	£
United Kingdom	34,860,844	32,263,674
Rest of Europe	174,686	270,893
	<u>£ 35,035,530</u>	<u>£ 32,534,567</u>

3. STAFF COSTS

	1998	1997
	£	£
Wages and salaries	36,594	43,017
Social security costs	3,659	3,279
Other pension costs	1,503	688
	<u>£ 41,756</u>	<u>£ 46,984</u>

The average number of employees during the year was made up as follows:

	No.	No.
Handling and storage	<u>2</u>	<u>2</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998	1997
	£	£
a. This is stated after charging:		
Auditors' remuneration	5,750	5,100
Depreciation	16,867	25,440
Rent of buildings	3,500	3,500
	<u>23,733</u>	<u>33,184</u>
b. After crediting:		
Release of FEOGA grant	<u>23,733</u>	<u>33,184</u>

This grant has been received from the Ministry of Agriculture, Fisheries and Food in respect of a silo built for grain storage purposes, and has been credited against cost of sales in accordance with the accounting policy disclosed above in note 1.

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998	1997
	£	£
Based on the profit for the year:		
Corporation tax @ 31%/ 33%	186,494	133,147
Deferred taxation	(4,100)	(9,000)
Interest on corporation tax repayment	-	(18)
	<u>£ 182,394</u>	<u>£ 124,129</u>

6. DIVIDENDS

	1998	1997
	£	£
Ordinary dividend paid of 340p per share (1997 - 225p per share)	<u>67,813</u>	<u>44,876</u>

HEYGATE GRAIN LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH MARCH, 1998****7. TANGIBLE FIXED ASSETS**

	Silo buildings	Plant and machinery	Total
	£	£	£
Cost:			
At 30th March, 1997 and 28th March, 1998	<u>£ 202,489</u>	<u>£ 528,806</u>	<u>£ 731,295</u>
Depreciation:			
At 30th March, 1997	67,096	515,340	582,436
Provided in the year	6,120	10,747	16,867
At 28th March, 1998	<u>£ 73,216</u>	<u>£ 526,087</u>	<u>£ 599,303</u>
Net book amount:			
At 28th March, 1998	<u>£ 129,273</u>	<u>£ 2,719</u>	<u>£ 131,992</u>
At 29th March, 1997	<u>£ 135,393</u>	<u>£ 13,466</u>	<u>£ 148,859</u>

8. STOCKS

	1998	1997
	£	£
Purchases for resale	<u>1,570,733</u>	<u>139,084</u>

9. DEBTORS**Amounts falling due within one year:**

	1998	1997
	£	£
Trade debtors	297,494	442,004
Amounts due from group companies: Fellow subsidiaries	<u>6,375,893</u>	<u>3,845,223</u>
	<u>£ 6,673,387</u>	<u>£ 4,287,227</u>

10. CREDITORS**Amounts falling due within one year:**

	1998	1997
	£	£
Bank overdraft	214,771	-
Trade creditors	1,877,288	1,541,885
Amounts due to group companies: Holding company and fellow subsidiaries	5,021,062	2,693,301
Advance corporation tax	5,734	11,219
Corporation tax	169,541	121,928
Deferred income - FEOGA Grant	-	23,733
	<u>£ 7,288,396</u>	<u>£ 4,392,066</u>

HEYGATE GRAIN LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH MARCH, 1998****11. DEFERRED TAXATION**

	1998 £	1997 £
Accelerated capital allowances		
Balance at 30th March, 1997	27,000	36,000
Transfer to profit and loss account	<u>(4,100)</u>	<u>(9,000)</u>
Balance at 28th March, 1998	<u>£ 22,900</u>	<u>£ 27,000</u>

12. SHARE CAPITAL

	Authorised 1998 and 1997 £	Allotted, called up and fully paid 1998 and 1997 £
Equity shares		
Ordinary shares of £1 each	<u>20,000</u>	<u>19,945</u>

13. SHAREHOLDERS' FUNDS**Reconciliation of movements in shareholders' funds:**

	1998 £	1997 £
Profit on ordinary activities after taxation	430,540	291,565
Dividends paid	<u>(67,813)</u>	<u>(44,876)</u>
Net addition to shareholders' funds	362,727	246,689
Opening shareholders' funds at 30th March, 1997	<u>702,089</u>	<u>455,400</u>
Closing shareholders' funds at 28th March, 1998	<u>£ 1,064,816</u>	<u>£ 702,089</u>

14. CAPITAL COMMITMENTS

There were no capital commitments at the 28th March, 1998 (1997 - £Nil).

HEYGATE GRAIN LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH MARCH, 1998****15. OTHER FINANCIAL COMMITMENTS**

At 28th March, 1998 the company had minimum annual commitments under non-cancellable operating leases as follows:-

	1998 £	1997 £
Leases in respect of land and buildings which expire: After more than five years	<u>3,500</u>	<u>3,500</u>

16. CONTINGENT LIABILITIES

There is a contingent liability in respect of a multilateral guarantee dated 4th October, 1991 covering the bank balances of the company, Heygate and Sons Limited and its subsidiaries, as follows:

The Heygate Engineering Company Limited
 Fine Lady Bakeries Limited
 County Pride Products Limited
 Heygate Farms Swaffham Limited
 Heygates Limited
 Millstream Investments Limited
 Trolave Limited

17. ULTIMATE HOLDING COMPANY

The directors consider that the ultimate holding company of this company is its parent, Heygate and Sons Limited, which is registered in England.

18. PENSION ARRANGEMENTS

The employees of the company, with the exception of the directors, are members of The Heygate Group Pension and Life Assurance Scheme which provides defined pension and lump sum benefits payable to members on their retirement from the Heygate group or to their dependants on death before or after retirement. The scheme is of the defined benefit type and has its assets held in a separate trustee administered fund. Pension contributions are based upon pension costs across the group as a whole.

The total pension cost of the company for the year was £1,503 (1997 - £688).

Details of the actuarial valuation of the scheme and the main assumptions used in that valuation are contained within the financial statements of Heygate and Sons Limited.

HEYGATE GRAIN LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH MARCH, 1998****19. RELATED PARTY DISCLOSURES****Ultimate controlling party**

The directors consider the ultimate controlling party of the company is its parent company, Heygate and Sons Limited, which owns 52.07% of its issued share capital. Heygate and Sons Limited has a controlling nucleus of directors: Mr. A.R. Heygate, Mr. P.M. Heygate and Mrs. A.E. Tetley, who together own 10% of the voting issued ordinary share capital personally and 74.43% of the voting issued ordinary share capital as principal trustees of family trusts.

Mrs. D. Haines, sister of Mr. P.M. Heygate, cousin of Mr. A.R. Heygate and niece of Mrs. A.E. Tetley, although not a director of Heygate and Sons Limited, is a principal trustee of a family trust which owns 15.45% of the remaining voting issued ordinary share capital.

Related party transactions

During the year the company paid rents for land and buildings to Heygate and Sons (Estates), a related entity in which Mr. A.R. Heygate, Mr. P.M. Heygate, Mrs. A.E. Tetley and Mrs. D. Haines are among the participators, in the sum of £3,500 (1997 - £3,500). All rentals charged to the company were on an arm's length commercial basis.

The company was recharged for insurances effected through a wholly owned subsidiary of Heygate and Sons Limited in the sum of £4,443 (1997 - £4,024). The total premium for the group is recharged on the basis of cost to each group company. No profit or loss is involved in these transactions.

During the year the company sold grain to Heygate and Sons Limited and its wholly owned subsidiaries in the sum of £29,736,132 (1997 - £26,241,164). The company also purchased grain from other wholly owned subsidiaries in the sum of £3,922,594 (1997 - £191,700). In addition the company purchased grain from Heygate and Sons (Farmers), a partnership in which Mr. A.R. Heygate, Mr. P.M. Heygate, Mrs. A.E. Tetley and Mrs. D. Haines are the partners, in the sum of £399,830 (1997 - £492,170). The company also purchased administration services from a wholly owned subsidiary in the sum of £24,500 (1997 - £17,960). These transactions were undertaken at arm's length on normal commercial terms.

Balances due to/from related parties

At 28th March, 1998 there were the following balances outstanding with other group companies:

Included in debtors: amounts falling due within one year:

	1998	1997
Due from fellow subsidiaries	<u>6,375,892</u>	<u>3,845,223</u>

At 28h March, 1998 there were the following balances owing to group companies and other related entities:

Included in creditors: amounts falling due within one year:

	1998	1997
	£	£
Due to holding company	3,211,657	2,693,201
Due to fellow subsidiary	1,805,877	100
Due to other related entities	<u>3,528</u>	<u>-</u>