

HEYGATE GRAIN LIMITED
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 27TH MARCH, 2004



HEYGATE GRAIN LIMITED

DIRECTORS

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

SECRETARY

A. C. Greene

BANKERS

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

AUDITORS

Clifford Roberts,
Chartered Accountants,
Pacioli House,
9 Brookfield,
Duncan Close,
Moulton Park,
Northampton.
NN3 6WL

REGISTERED OFFICE

Bugbrooke Mills,
Bugbrooke,
Northampton.
NN7 3QH

COMPANY NUMBER

1522607

HEYGATE GRAIN LIMITED**DIRECTORS' REPORT**

The directors present their report and audited financial statements for the year ended 27th March, 2004.

PRINCIPAL ACTIVITY

The principal activity of the company continues to be the purchase of U.K. 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

Despite the continuing pressure on margins the directors remain satisfied with the overall performance of the company.

RESULTS AND DIVIDENDS

The loss on ordinary activities after taxation for the year amounted to £55,322 (2003 profit - £1,399). The directors have not recommended a dividend in respect of the year ended 27th March, 2004.

FUTURE DEVELOPMENTS

The directors do not anticipate any significant changes in the business operations in the future, but continued pressure in the market place will have the effect of permanently reducing margins capable of being earned from this type of business.

THE EURO

The impact of the euro has been considered generally by the company. Although the impact of the changeover to the euro is not currently anticipated to be significant, this issue is being closely monitored.

DIRECTORS AND THEIR INTERESTS

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

A.R. Heygate
P.M. 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 and Mrs. A.E. Tetley 3,200 ordinary £1 shares in Heygate Grain Limited as principal trustees of family trusts at 30th March, 2003. In April, 2003, the trustees sold these shares to the holding company at their open market value. The company is now a wholly owned subsidiary of Heygate and Sons Limited.

The directors also held shares in the parent company and in fellow subsidiaries at 27th March, 2004 and 30th March, 2003, as follows:

At 27th March, 2004 and 30th March, 2003

	Heygate and Sons Limited					County Pride Products Limited	Trolave Limited	Heygate Farms Swaffham Limited
	Preference Shares	Ordinary Shares				Ordinary Shares		
	No.	A No.	B No.	C No.	D 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

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

The directors also held the following shares in the holding company as principal trustees of family trusts at 27th March, 2004 and 30th March, 2003:-

27th March, 2004 and 30th March, 2003

	Heygate and Sons Limited				
	Preference	Ordinary Shares			
	Shares	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 judgments 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.

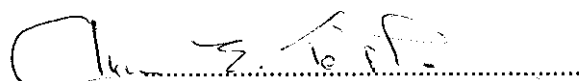
POLITICAL AND CHARITABLE CONTRIBUTIONS

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 Clifford Roberts as auditors will be put to the members at the Annual General Meeting.

This report was approved by the Board
on 1st December, 2004
and signed on its behalf by:


Mrs. A.E. Tetley
Chairman

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
HEYGATE GRAIN LIMITED

We have audited the financial statements of Heygate Grain Limited for the year ended 27th March, 2004 which are set out on pages 4 to 13. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of Companies Act, 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in the auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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 law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 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 company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit 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 27th March, 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



CLIFFORD ROBERTS
Chartered Accountants and
Registered Auditors
1st December, 2004

**Pacioli House,
9 Brookfield,
Duncan Close,
Moulton Park,
Northampton.
NN3 6WL**

HEYGATE GRAIN LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 27TH MARCH, 2004**

		2004		2003	
	Note	£	£	£	£
Turnover	2		34,380,198		28,757,627
Cost of sales			<u>(33,918,519)</u>		<u>(28,245,142)</u>
Gross profit			461,679		512,485
Distribution costs		259,076		278,895	
Administrative expenses		<u>258,888</u>		<u>238,223</u>	
			<u>(517,964)</u>		<u>(517,118)</u>
Loss on ordinary activities before taxation	4		(56,285)		(4,633)
Tax on loss on ordinary activities	5		<u>963</u>		<u>6,032</u>
(Loss)/profit on ordinary activities after taxation retained for the financial year			<u>£ (55,322)</u>		<u>£ 1,399</u>

Statement of retained profits

Retained profits brought forward	1,551,672	1,550,273
(Sustained loss)/retained profit for the financial year	<u>(55,322)</u>	<u>1,399</u>
Retained profits carried forward	<u>£ 1,496,350</u>	<u>£ 1,551,672</u>

Continuing Operations

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

Total Recognised Gains and Losses

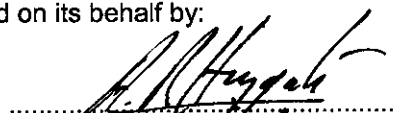
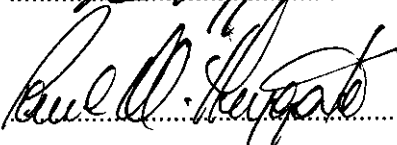
The company has no recognised gains or losses other than the loss or profit for the above two financial years.

The notes on pages 6 to 11 form part of these financial statements

HEYGATE GRAIN LIMITED**BALANCE SHEET AT 27TH MARCH, 2004**

	Note	2004		2003	
		£	£	£	£
Fixed assets					
Tangible assets	6		113,050		125,341
Current assets					
Stocks	7	2,234,318		1,119,685	
Debtors	8	2,292,034		274,263	
Cash at bank		408,873		4,602,445	
		4,935,225		5,996,393	
Creditors: amounts falling due within one year	9	(3,436,175)		(4,454,312)	
Net current assets			1,499,050		1,542,081
Total assets less current liabilities			1,612,100		1,667,422
Provision for liabilities and charges					
Deferred taxation	10		(19,800)		(19,800)
Net assets			£ 1,592,300		£ 1,647,622
Capital and reserves					
Called up share capital	11		19,945		19,945
Share premium account			76,005		76,005
Profit and loss account			1,496,350		1,551,672
Shareholders' funds	12		£ 1,592,300		£ 1,647,622

These financial statements were approved by the Board on 1st December, 2004 and were signed on its behalf by:


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

..... P. M. Heygate)

HEYGATE GRAIN LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 27TH MARCH, 2004****1. ACCOUNTING POLICIES****Accounting convention**

The financial statements have been prepared under the historical cost convention on a basis consistent with prior years and in accordance with applicable Accounting Standards in the United Kingdom.

Cashflow statement

The company has taken advantage of the provisions of FRS 1 "cashflow statements", whereby it is exempt from providing a cashflow statement as it is a wholly owned subsidiary.

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:-

Leasehold buildings	:	10% and 3% per annum
Plant and machinery	:	25% and 10% per annum
Computer and office equipment	:	20% and 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.

Pension contributions

The Group continues to account for pensions in accordance with SSAP 24 "Accounting for Pension Costs". The regular cost of providing pensions to current employees is charged to the profit and loss account over the average expected service lives of those employees.

Accumulated differences between the amount charged to the profit and loss account and the payments made to the pension plans are treated as either prepayments or creditors on the balance sheet.

The additional disclosures required by the transitional arrangements of FRS 17 "Retirement Benefits" are given in note 17 to the financial statements.

Two of the directors that are not members of the group scheme are members of a small self administered money purchase scheme. The pension cost for the year is the amount paid into the scheme during the accounting period.

2. TURNOVER

Turnover represents the invoiced amount of goods sold and services provided stated net of value added tax. Turnover is recognised upon evidence of delivery.

The turnover and pretax profit is wholly attributable to the merchanting and handling of grain within the United Kingdom.

HEYGATE GRAIN LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 27TH MARCH, 2004****3. STAFF COSTS**

	2004	2003
	£	£
Wages and salaries	75,832	64,083
Social security costs	9,252	6,921
Other pension costs	924	817
	<u>£ 86,008</u>	<u>£ 71,821</u>

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

	No.	No.
	3	3
Handling and storage	<u>3</u>	<u>3</u>

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2004	2003
	£	£
This is stated after charging:		
Auditors' remuneration	16,500	15,500
Depreciation	12,286	20,181
Rent of buildings	<u>9,500</u>	<u>9,500</u>

5. TAX ON LOSS ON ORDINARY ACTIVITIES

	2004	2003
	£	£
(a) Analysis of tax charge in the period		
Current tax		
UK corporation tax on profits for the period	-	964
Underprovisions in respect of previous periods	-	(6,996)
Repayable in respect of prior periods	<u>(963)</u>	<u>-</u>
	<u>£ (963)</u>	<u>£ (6,032)</u>

- (b) Factors effecting the tax charge for the period**
The tax assessed is less than the small companies rate of corporation tax in the U.K. (19%). The differences are explained below:

	2004	2003
	£	£
Loss on ordinary activities before tax	<u>(56,285)</u>	<u>(4,633)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in U.K. of 19%	(10,694)	(880)
Effects of:		
Depreciation in excess of capital allowances	1,485	1,844
Loss on disposal of assets	1	-
Losses carried forward	<u>8,245</u>	<u>-</u>
Current tax credit for period	<u>£ (963)</u>	<u>£ 964</u>

HEYGATE GRAIN LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 27TH MARCH, 2004****6. TANGIBLE FIXED ASSETS**

	Short leasehold buildings	Plant and machinery	Computer and office equipment	Total
	£	£	£	£
Cost:				
At 30th March, 2003	226,488	576,260	5,797	808,545
Disposals	-	-	(5,797)	(5,797)
At 27th March, 2004	<u>£ 226,488</u>	<u>£ 576,260</u>	<u>£ -</u>	<u>£ 802,748</u>
Depreciation:				
At 30th March, 2003	117,998	559,414	5,792	683,204
Provided in the year	8,170	4,116	-	12,286
Adjustment on disposals	-	-	(5,792)	(5,792)
At 27th March, 2004	<u>£ 126,168</u>	<u>£ 563,530</u>	<u>£ -</u>	<u>£ 689,698</u>
Net book amount:				
At 27th March, 2004	<u>£ 100,320</u>	<u>£ 12,730</u>	<u>£ -</u>	<u>£ 113,050</u>
At 29th March, 2003	<u>£ 108,490</u>	<u>£ 16,846</u>	<u>£ 5</u>	<u>£ 125,341</u>

7. STOCKS

	2004 £	2003 £
Goods for resale	<u>2,234,318</u>	<u>1,119,685</u>

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

	2004 £	2003 £
Trade debtors	273,075	199,600
Amounts due from group companies:		
Fellow subsidiaries	2,018,631	74,663
Corporation tax	328	-
	<u>£ 2,292,034</u>	<u>£ 274,263</u>

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

	2004 £	2003 £
Trade creditors	3,354,730	1,966,775
Amounts due to group companies:		
Holding company and fellow subsidiaries	81,445	2,486,573
Corporation tax	-	964
	<u>£ 3,436,175</u>	<u>£4,454,312</u>

HEYGATE GRAIN LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 27TH MARCH, 2004****10. DEFERRED TAXATION**

	2004	2003
	£	£
Accelerated capital allowances		
Balance at 29th March, 2003 and 27th March, 2004	<u>19,800</u>	<u>19,800</u>

11. SHARE CAPITAL

	Authorised 2004 and 2003 £	Allotted, called up and fully paid 2004 and 2003 £
Equity shares		
Ordinary shares of £1 each	<u>20,000</u>	<u>19,945</u>

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

	2004	2003
	£	£
(Loss)/profit on ordinary activities after taxation	(55,322)	1,399
Opening shareholders' funds at 30th March, 2003	<u>1,647,622</u>	<u>1,646,223</u>
Closing shareholders' funds at 27th March, 2004	<u>£ 1,592,300</u>	<u>£ 1,647,622</u>

13. CAPITAL COMMITMENTS

There were no capital commitments at 27th March, 2004 and 29th March, 2003.

14. OTHER FINANCIAL COMMITMENTS

At 27th March, 2004 the company had minimum annual commitments under non-cancellable operating leases as follows:-

	2004	2003
	£	£
Leases in respect of land and buildings which expire: After more than five years	<u>9,500</u>	<u>9,500</u>

HEYGATE GRAIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 27TH MARCH, 2004

15. 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

16. ULTIMATE HOLDING COMPANY

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

17. PENSION ARRANGEMENTS

The employees of the company, with the exception of the three 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 for current members, and this scheme is now closed to new members.

For new entrants, the plans will provide defined contribution benefits. The assets of the scheme are held in trustee administered funds separate from the company's assets.

The total pension cost of the company for the year was £924 (2003 - £817).

The level of contributions to the scheme is assessed in accordance with the advice of an independently qualified actuary and is calculated so as to spread the charge to profit and loss account over the average service periods of current employees in the scheme. The scheme is valued using the projected unit method.

The most recent actuarial valuation was carried out on 1st October, 2002.

As the defined benefit scheme is closed to new entrants, the age profile of active members will increase over time. Under the projected unit method, the current service cost will increase as active members of the scheme approach retirement.

The disclosures required under SSAP24 and FRS17 are contained within the financial statements of the sponsoring company of the scheme, Heygates Limited (a wholly owned subsidiary of Heygate and Sons Limited), and in the group financial statements of Heygate and Sons Limited and its subsidiary companies.

18. 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 100% of the voting 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.

HEYGATE GRAIN LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 27TH MARCH, 2004****19. RELATED PARTY DISCLOSURES - continued**

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 the participators, in the sum of £9,500 (2003 - £9,500). 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 £45,352 (2003 - £38,511). 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 £32,002,415 (2003 - £26,142,087). 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 £291,621 (2003 - £279,816). The company also purchased administration services from a wholly owned subsidiary in the sum of £159,122 (2003 - £143,318). These transactions were undertaken at arm's length on normal commercial terms.

Balances due to/from related parties

At 27th March, 2004 there were the following balances outstanding with other group companies:

Included in debtors: amounts falling due within one year:

	2004	2003
	£	£
Due from fellow subsidiaries	<u>2,018,631</u>	<u>74,663</u>

At 27th March, 2004 there were the following balances owing to group companies and other related entities:

Included in creditors: amounts falling due within one year:

	2004	2003
	£	£
Due to fellow subsidiary	<u>81,445</u>	<u>2,486,573</u>