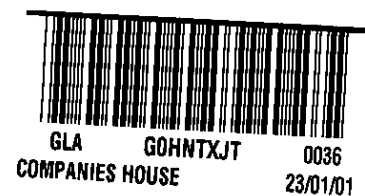


Davidson Brothers (Shotts) Limited
Annual report
for the year ended 31 July 2000

Registered Number SC025270



Davidson Brothers (Shotts) Limited

Annual report for the year ended 31 July 2000

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Davidson Brothers (Shotts) Limited

Directors and Advisors for the year ended 31 July 2000

Directors

W M Davidson

W G Davidson

W G Souter

T Irvine

Secretary and registered office

W Salton

Gray Street

Shotts

Lanarkshire

ML7 5EZ

Registered auditors

PricewaterhouseCoopers

Kintyre House

209 West George Street

Glasgow

G2 2LW

Solicitors

Dickson Minto WS

11 Walker Street

Edinburgh

EH3 7NE

Bankers

Bank of Scotland

225 Station Road

Shotts

ML7 4AW

Davidson Brothers (Shotts) Limited

Directors' report for the year ended 31 July 2000

The directors present their report and the audited financial statements for the year ended 31 July 2000.

Principal activities

The profit and loss account for the year is set out on page 5.

The principal activity of the company is the manufacture and sale of animal feedstuffs.

Review of business and future developments

While conditions within the farming industry remain difficult the directors are satisfied with the overall trading performance for the year and remain confident about the company's long term development prospects.

In December 2000, property in Glasgow, acquired as part of the acquisition of Dalgety's Scottish business in January 1999, was sold. The company's mill at Dumfries, also acquired as part of the Dalgety acquisition, was closed in March 2000 and all manufacturing is now carried out at Shotts. Plans are now being formulated for the future development of the property in Dumfries.

Results and dividends

The directors do not recommend the payment of a dividend. The company's profit for the year is £99,776 (1999: £388,689).

Directors and their interests

The directors of the company who served during the year, unless otherwise stated, are listed on page 1.

The interests of the directors in the shares of the company at 31 July 2000 together with their interests at 1 August 1999 were as follows:

	Number of ordinary shares of £1 each	
	31 July 2000 £	1 August 1999 £
WM Davidson	97,147	97,147
WG Davidson	30,256	30,256

Other than shown above, no director had any shares or debentures in the company at 31 July 2000.

Statement of directors responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 period.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 July 2000 and that applicable accounting standards have been followed.

The directors are responsible for maintaining 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.

Davidson Brothers (Shotts) Limited

Auditors

PricewaterhouseCoopers have expressed their willingness to continue in office and a resolution that they be reappointed will be proposed at the annual general meeting.

By Order of the Board



W SALTON
Secretary
18 January 2001

Auditors' report to the members of Davidson Brothers (Shotts) Limited

We have audited the financial statements on pages 5 to 20, which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

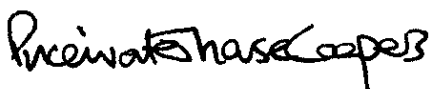
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 31 July 2000 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
Glasgow
18 January 2001

Davidson Brothers (Shotts) Limited

Profit and loss account for the year ended 31 July 2000

	Note	2000 £	1999 £
Turnover	1	11,907,815	13,658,935
Cost of sales		(7,457,763)	(9,237,323)
Gross profit		4,450,052	4,421,612
Net operating expenses	2	(4,031,837)	(3,993,355)
Operating profit		418,215	428,257
Interest payable	5	(305,474)	(211,300)
Profit on ordinary activities before taxation	6	112,741	216,957
Tax on profit on ordinary activities	7	(12,965)	171,732
Retained profit for the financial year	18	99,776	388,689

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

All the above activities are continuing.

Statement of recognised gains and losses at 31 July 2000

	2000 £	1999 £
Profit for financial year	99,776	388,689
Unrealised surplus on revaluation of properties	730,000	840,000
Total recognised gain for the year	829,776	1,228,689

Davidson Brothers (Shotts) Limited

Balance sheet as at 31 July 2000

	Note	2000 £	1999 £
Fixed assets			
Tangible assets	8	6,050,771	5,631,298
Current assets			
Stocks	9	456,166	630,602
Debtors	10	1,923,596	1,848,906
Cash at bank and in hand		646	866
		2,380,408	2,480,374
Creditors: amounts falling due within one year	11	3,086,513	3,300,590
Net current liabilities		(706,105)	(820,216)
Total assets less current liabilities		5,344,666	4,811,082
Creditors: amounts falling due in more than one year	12	1,383,922	1,665,013
Provisions for liabilities and charges	13	119,897	106,932
Accruals and deferred income	14	169,377	197,443
Net assets		3,671,470	2,841,694
Capital and reserves			
Called up share capital	16	139,940	139,940
Capital redemption reserve	17	12,537	12,537
Revaluation reserve	17	1,570,000	840,000
Profit and loss account	17	1,948,993	1,849,217
Equity shareholders' funds	18	3,671,470	2,841,694

The financial statements on pages 5 to 20 were approved by the board of directors on 18 January 2001 and were signed on its behalf.



W M DAVIDSON
Director

Davidson Brothers (Shotts) Limited

Cash flow statement for the year ended 31 July 2000

	Note	2000 £	1999 £
Net cash inflow from operating activities	19	835,774	460,405
Returns on investments and servicing of finance			
Interest paid on hire purchase contracts		(4,760)	(11,838)
Interest paid		(289,411)	(189,523)
Net cash outflow from returns on investments and servicing of finance		(294,171)	(201,361)
Taxation			
UK corporation tax paid		-	(75,483)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(242,311)	(178,089)
Sale of fixed assets		56,700	38,500
Net cash outflow from capital expenditure and financial investment		(185,611)	(139,589)
Acquisitions			
Purchase of business		-	(3,284,949)
Cash inflow/(outflow) before management of liquid resources and financing		355,992	(3,240,977)
Financing			
(Repayment)/drawdown of borrowings		(136,071)	1,535,000
Repayments of principal under hire purchase contracts		(32,230)	(53,580)
Drawdown of directors loan		-	200,000
Net cash (outflow)/increase from financing		(168,301)	1,481,420
Increase/(decrease) in cash in the period	20	187,691	(1,559,557)

Davidson Brothers (Shotts) Limited

Accounting policies

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 is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Tangible fixed assets

Tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition.

Provision for depreciation is made so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful economic life of the assets concerned. The principal annual rates used for this purpose are:

Freehold buildings	2%
Plant and machinery	10%
Motor vehicles	20% and 33%
Office equipment	10%
Computer equipment	20%

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Where fixed assets are financed by leasing agreements, which transfer to the company substantially all the benefits and risks of ownership, the assets are treated as if they had been purchased outright and are included in tangible fixed assets. The capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit. Assets held under finance leases are depreciated over the useful lives of equivalent owned assets.

Government grants

Grants received and receivable in respect of qualifying capital expenditure are credited to a government grant reserve and released to the profit and loss account over the expected useful lives of the related assets. Grants awarded for training and consultancy are credited to the profit and loss account in the same period as the associated costs.

Investment properties

Investment properties are included in the balance sheet at their open market value at the balance sheet date. Depreciation is not provided on investment properties as they are not held for consumption but investment and the directors consider that systematic annual depreciation would be inappropriate.

Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition.

Davidson Brothers (Shotts) Limited

Accounting policies (continued)

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Deferred taxation

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension scheme arrangements

The company operates a defined contribution pension scheme. The pension cost charge represents contributions payable by the company to the fund.

Davidson Brothers (Shotts) Limited

Notes to the financial statements for the year ended 31 July 2000

1. Turnover

	2000	1999
	£	£
Manufactured product	10,376,762	11,196,381
Raw materials and bought in items	1,531,053	2,462,554
	11,907,815	13,658,935

2. Net operating expenses

	2000	1999
	£	£
Distributions costs	1,017,398	996,127
Administration expenses	3,179,443	3,151,981
	4,196,841	4,148,108
Less: other operating income	(165,004)	(154,753)
	4,031,837	3,993,355

3. Directors' emoluments

The remuneration paid to the directors was:

	2000	1999
	£	£
Aggregate directors' emoluments	143,595	111,945
Company contributions to money purchase scheme	7,600	7,834

Pension costs were accrued for 3 directors (1999: 4) as members of defined contribution pension schemes.

Davidson Brothers (Shotts) Limited

4. Employee information

By activity	2000	1999
	Number	Number
Production	17	20
Selling and distribution	47	48
Administration	9	10
	73	78

Staff costs (for the above persons)	2000	1999
	£	£
Wages and salaries	1,391,752	1,333,636
Social security costs	131,688	129,615
Other pensions costs (note 15)	42,483	31,894
	1,565,923	1,495,145

5. Interest payable

	2000	1999
	£	£
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	173,260	145,438
Repayable within 5 years, by instalments	127,454	54,024
	300,714	199,462
On hire purchase contracts	4,760	11,838
	305,474	211,300

Davidson Brothers (Shotts) Limited

6. Profit on ordinary activities before taxation

	2000	1999
	£	£
Profit on ordinary activities before taxation is stated after crediting:		
Amortisation of government grants	28,066	28,066
Gain on disposal of fixed assets	12,824	12,250
After charging:		
Depreciation charge for the year:		
- Tangible owned fixed assets	478,998	378,904
- Tangible fixed assets held under hire purchase contracts	29,964	47,993
Auditors' remuneration:		
- Audit	11,900	11,080
- Other services	3,160	9,550
Hire of plant and machinery – operating leases	163,192	113,382

7. Taxation

	2000	1999
	£	£
United Kingdom corporation tax		
Current	-	53,104
Deferred	(30,822)	119,063
Over/(under) provision in respect of prior years:		
Current	-	19,934
Deferred	17,857	(20,369)
	(12,965)	171,732

Davidson Brothers (Shotts) Limited

8. Tangible fixed assets

	Investment properties	Freehold land and buildings	Motor vehicles	Plant and machinery	Computer and office equipment	Total
	£	£	£	£	£	£
Cost or valuation						
At 1 August 1999	1,115,000	2,010,438	1,381,541	6,273,628	513,190	11,293,797
Additions	-	53,273	38,252	141,696	9,090	242,311
Disposals	-	-	(177,456)	-	-	(177,456)
Transfers	380,000	(380,000)	-	-	-	-
Surplus on revaluation	730,000	-	-	-	-	730,000
At 31 July 2000	2,225,000	1,683,711	1,242,337	6,415,324	522,280	12,088,652
Depreciation						
At 1 August 1999	-	250,549	861,993	4,136,101	413,856	5,662,499
Charge for year	-	28,419	170,760	286,879	22,904	508,962
Disposals	-	-	(133,580)	-	-	(133,580)
At 31 July 2000	-	278,968	899,173	4,422,980	436,760	6,037,881
Net book value						
At 31 July 2000	2,225,000	1,404,743	343,164	1,992,344	85,520	6,050,771
At 31 July 1999	1,115,000	1,759,889	519,548	2,137,527	99,334	5,631,298

The net book value of tangible fixed assets held under hire purchase contracts at 31 July 2000 was £31,256 (1999: £102,679).

The Investment properties comprise of two properties in Glasgow and Dumfries. The directors, who are not independent qualified valuers, have valued these properties at 31 July 2000 based on the following:

- The Glasgow property has been valued by reference to the value at which it was sold on 22 December 2000.
- The Dumfries property has been valued based on independent professional advice.

Davidson Brothers (Shotts) Limited

9. Stocks

	2000	1999
	£	£
Raw materials and consumables	374,106	482,630
Finished goods	55,426	78,757
Vehicle and machine spares and fuel	26,634	69,215
	456,166	630,602

10. Debtors

	2000	1999
	£	£
Amounts falling due within one year:		
Trade debtors	1,245,492	1,407,928
Other debtors	474,104	319,979
Prepayments and accrued income	150,896	67,895
Corporation tax recoverable	53,104	53,104
	1,923,596	1,848,906

11. Creditors – Amounts falling due within one year

	2000	1999
	£	£
Bank loans and overdrafts (see 12 (a))	2,337,931	2,398,847
Obligations under hire purchase agreements (see 12 (b))	18,024	32,229
Trade creditors	617,263	640,075
Other taxation and social security payable	28,338	45,377
Accruals	84,957	184,062
	3,086,513	3,300,590

Davidson Brothers (Shotts) Limited

12. Creditors – Amounts falling due after more one year

	2000	1999
	£	£
Bank loans (see (a) below)	1,179,255	1,442,321
Obligations under hire purchase agreements (see (b) below)	4,667	22,692
Directors loan (see (c) below)	200,000	200,000
	1,383,922	1,665,013

(a) Bank loans and overdrafts

Bank loans and overdrafts amounting to £3,517,186 (1999: £3,841,168) are secured by a standard security over land at Gray Street, Shotts, the assignation of an insurance policy on the life of W M Davidson and a bond and floating charge over all the assets of the company.

The annual interest rate applied to the company's bank loans varies between 1.75% - 4.0% above the bank's base rate.

	2000	1999
	£	£
Bank loans are repayable as follows:		
One year or less on demand	700,924	573,929
Between one and two years	324,200	275,924
Between two and five years	855,055	826,350
Over 5 years	-	340,047
	1,880,179	2,016,250

(b) Obligations under hire purchase agreements

The future minimum payments to which the company is committed under hire purchase contracts are as follows:

	2000	1999
	£	£
Due within one year	18,024	32,229
Between two and five years	4,667	22,692
	22,691	54,921

(c) Directors loan

The Directors' loan is interest free and has no fixed term of repayment.

Davidson Brothers (Shotts) Limited

13. Provisions for liabilities and charges

Deferred taxation

Provision has been made in the financial statements for deferred taxation, as follows:

	Amount provided		Total potential liability	
	2000	1999	2000	1999
	£	£	£	£
Tax effect on timing differences because of:				
Excess of tax allowances over depreciation	226,787	180,751	501,931	455,895
Other	(106,890)	(73,819)	(106,890)	(73,819)
	119,897	106,932	395,041	382,076

The movement on the provision for deferred taxation is as follows:

	£
At 1 August 1999	106,932
Charged to profit and loss account	12,965
At 31 July 2000	119,897

14. Accruals and deferred income

	Government grants
	£
At 1 August 1999	197,443
Release in year	(28,066)
At 31 July 2000	169,377

15. Pension commitments

The company operates a defined contribution pension scheme for certain employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £42,483 (1999: £31,894).

Davidson Brothers (Shotts) Limited

16. Called up share capital

	2000	1999
	£	£
Authorised		
184,131 (1999: 184,131) ordinary shares of £1 each	184,131	184,131
Allotted, called up and fully paid		
139,940 (1999: 139,940) ordinary shares of £1 each	139,940	139,940

17. Reserves

	Capital redemption reserve	Revaluation reserve	Profit and loss account
	£	£	£
At 1 August 1999	12,537	840,000	1,849,217
Profit for the financial year	-	-	99,776
Revaluation in year	-	730,000	-
At 31 July 2000	12,537	1,570,000	1,948,993

18. Reconciliation of movements in shareholders' funds

	2000	1999
	£	£
Opening shareholders' funds	2,841,694	1,613,005
Profit for the financial year	99,776	388,689
Surplus on revaluation of properties	730,000	840,000
Closing shareholders' funds	3,671,470	2,841,694

Davidson Brothers (Shotts) Limited

19. Reconciliation of operating profit to net cash inflow from operating activities

Continuing operating activities	2000 £	1999 £
Operating profit	418,215	428,257
Depreciation on tangible fixed assets	508,962	426,897
Gain on sale of tangible fixed assets	(12,824)	(12,250)
Decrease in stocks	174,436	189,797
Decrease/(increase) in trade debtors	162,436	(493,243)
Increase in prepayments	(83,001)	(13,187)
Increase in other debtors	(154,125)	(201,436)
(Decrease)/increase in trade creditors	(22,812)	272,657
(Decrease)/increase in other taxation and social security	(17,039)	25,519
(Decrease)/increase in accruals	(110,408)	60,460
Decrease in grants	(28,066)	(28,066)
Decrease in loan redemption premium accrual	-	(195,000)
Net cash inflow from continuing operating activities	835,774	460,405

20. Reconciliation of net cash flow to movement in net debt

	2000 £	1999 £
Increase/(decrease) in cash in the year	187,691	(1,559,557)
Cash inflow from increase in debt	168,301	(1,681,420)
Change in net debt resulting from cash flows	355,992	(3,240,977)
Movement in net debt in the year	355,992	(3,240,977)
Net debt at 1 August 1999	(4,095,223)	(854,246)
Net debt at 31 July 2000	(3,739,231)	(4,095,223)

Davidson Brothers (Shotts) Limited

21. Analysis of net debt

	At 1 August 1999 £	Cashflow £	At 31 July 2000 £
Net cash			
Cash in hand and in bank	866	(220)	646
Overdrafts	(1,824,918)	187,911	(1,637,007)
	(1,824,052)	187,691	(1,636,361)
Debt			
Loans due after one year	(1,442,321)	263,066	(1,179,255)
Loans due within one year	(573,929)	(126,995)	(700,924)
Hire purchase contracts	(54,921)	32,230	(22,691)
Directors loan	(200,000)	-	(200,000)
	(2,271,171)	168,301	(2,102,870)
Total net debt	(4,095,223)	355,992	(3,739,231)

22. Capital commitments

	2000 £	1999 £
Capital expenditure that has been contracted for but has not been provided of in the financial statements	-	150,000

23. Financial instruments

At 31 July 2000, the company had annual commitments under non-cancellable operating leases as follows:

	2000 £	1999 £
Expiring within one year	-	22,000
Expiring between two and five years inclusive	133,327	91,953
Expiring after five years	103,643	23,699
	236,970	137,652

Davidson Brothers (Shotts) Limited

24. Related party transactions

The directors of the company consider that there have been related party transactions between Davidson Brothers (Shotts) Limited, FIFF Limited, Locom Engineering Limited, Davidson Brothers (Shotts) Limited Directors Retirement and Death Benefit Scheme by virtue of the fact that W M Davidson, a director and shareholder of Davidson Brothers (Shotts) Limited is also a director and shareholder of FIFF, a shareholder of Locom Engineering Limited, and a trustee of Davidson Brothers (Shotts) Limited Directors Retirement and Death Benefit Scheme.

The value of transactions during the year to 31 July 2000 and the balances outstanding at year end 31 July 2000 between Davidson Brothers (Shotts) Limited, FIFF Limited, Locom Engineering Limited and Davidson Brothers (Shotts) Limited Directors Retirement and Death Benefit Scheme are as follows:

	FIFF Limited	Locom Engineering Limited	Retirement scheme
	£	£	£
Sales in the normal course of trade to:	198,330	31,357	-
Purchases/services in the normal course of trade from, and contributions to:	6,556	153,767	12,000
Amounts due from:	28,265	20,000	-
Amounts due to:	724	4,297	-

25. Ultimate controlling party

Mr W M Davidson, a director, is the controlling party of the company by virtue of his controlling interest in the company's equity capital.