

CHARLES MORRIS FERTILIZERS LIMITED

Directors' report and financial statements

for the year ended 28 February 2002



CHARLES MORRIS FERTILIZERS LIMITED

Company information

Directors	J C Morris A C Morris N S Morris
Secretary	Mrs J Morris
Company number	SCO 58508
Registered office	1 Royal Terrace Glasgow G3 1NT
Auditors	Sephton & Company Church House Solihull Road Hampton in Arden West Midlands B92 0EX
Bankers	National Westminster Bank plc 67 High Street Staines Middlesex TW 18 4PU

CHARLES MORRIS FERTILIZERS LIMITED

Contents

	Page
Directors' report	1
Auditors' report	2
Profit and loss account	3
Balance sheet	4
Cash flow statement	5
Notes to the financial statements	6 - 14

CHARLES MORRIS FERTILIZERS LIMITED

Directors' report for the year ended 28 February 2002

The directors present their report and the financial statements for the year ended 28 February 2002.

Principal activity and review of the business

The Company's principal activity during the year continued to be that of public works contractors.

Results and dividends

The results for the year are set out on page 3.

The directors have paid an interim dividend amounting to £20,000 and they do not recommend payment of a final dividend.

Directors and their interests

The directors who served during the year and their interests in the company are as stated below:

	Ordinary shares	
	2002	2001
J C Morris	-	-
A C Morris	-	-
N S Morris	-	-

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 the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Sephton & Company be reappointed as auditors of the company will be put to the Annual General Meeting.

The directors recommend that Sephton & Company remain in office until further notice.

This report was approved by the Board on 2/05/02 and signed on its behalf by


.....
Mrs J Morris
Secretary

CHARLES MORRIS FERTILIZERS LIMITED

Independent auditors' report to the shareholders of CHARLES MORRIS FERTILIZERS LIMITED

We have audited the financial statements of CHARLES MORRIS FERTILIZERS LIMITED for the year ended 28 February 2002 which comprise the profit and loss account, the balance sheet, cash flow statement, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and 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 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.

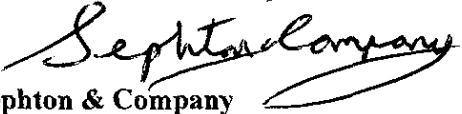
Basis of audit opinion

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 28 February 2002 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Sephton & Company
Registered Auditors
Date 21/05/2002

Church House
Solihull Road
Hampton in Arden
West Midlands
B92 0EX

CHARLES MORRIS FERTILIZERS LIMITED

Profit and loss account for the year ended 28 February 2002

		Continuing operations	
		2002	2001
	Notes	£	£
Turnover	2	2,846,361	2,325,698
Cost of sales		(1,377,733)	(1,346,050)
Gross profit		1,468,628	979,648
Administrative expenses		(1,134,927)	(930,596)
Other operating income		92,933	92,446
Operating profit	3	426,634	141,498
Other interest receivable and similar income		18,492	22,698
Interest payable and similar charges	5	-	(535)
Profit on ordinary activities before taxation		445,126	163,661
Tax on profit on ordinary activities	8	(111,464)	(33,558)
Profit on ordinary activities after taxation		333,662	130,103
Dividends	9	(20,000)	(20,000)
Retained profit for the year		313,662	110,103
Retained profit brought forward		1,315,384	1,205,281
Retained profit carried forward		1,629,046	1,315,384
Statement of total recognised gains and losses			
Profit on ordinary activities after taxation		333,662	130,103
Unrealised movement on revaluation of property		55,947	-
Total recognised gains relating to the year		389,609	130,103

The notes on pages 6 to 14 form an integral part of these financial statements.

CHARLES MORRIS FERTILIZERS LIMITED

Balance sheet as at 28 February 2002

		2002		2001	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	10		1,345,534		1,065,623
Current assets					
Debtors	11	599,599		603,298	
Cash at bank and in hand		495,951		215,614	
		<u>1,095,550</u>		<u>818,912</u>	
Creditors: amounts falling due within one year	12	<u>(654,843)</u>		<u>(497,915)</u>	
Net current assets			<u>440,707</u>		<u>320,997</u>
Total assets less current liabilities			1,786,241		1,386,620
Provisions for liabilities and charges	13		<u>(91,248)</u>		<u>(61,236)</u>
Net assets			<u>1,694,993</u>		<u>1,325,384</u>
Capital and reserves					
Called up share capital	15		10,000		10,000
Revaluation reserve	16		55,947		-
Profit and loss account	16		<u>1,629,046</u>		<u>1,315,384</u>
Equity shareholders' funds	17		<u>1,694,993</u>		<u>1,325,384</u>

The financial statements were approved by the Board on 21-5-02..... and signed on its behalf by

..........

J C Morris
Director

The notes on pages 6 to 14 form an integral part of these financial statements.

CHARLES MORRIS FERTILIZERS LIMITED

Cash flow statement for the year ended 28 February 2002

	Notes	2002 £	2001 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		426,634	141,498
Depreciation		268,125	240,453
Decrease / (increase) in debtors		3,699	(160,154)
Increase in creditors		99,910	28,853
Net cash inflow from operating activities		<u>798,368</u>	<u>250,650</u>
Cash flow statement			
Net cash inflow from operating activities		798,368	250,650
Returns on investments and servicing of finance	21	18,492	22,163
Taxation	21	(24,434)	(12,021)
Capital expenditure	21	(492,089)	(356,008)
		<u>300,337</u>	<u>(95,216)</u>
Equity dividends paid		(20,000)	(20,000)
Increase / (decrease) in cash in the year		<u>280,337</u>	<u>(115,216)</u>
Reconciliation of net cash flow to movement in net funds (Note 22)			
Increase / (decrease) in cash in the year		280,337	(115,216)
Net funds at 1 March 2001		215,614	330,830
Net funds at 28 February 2002		<u>495,951</u>	<u>215,614</u>

CHARLES MORRIS FERTILIZERS LIMITED

Notes to the financial statements for the year ended 28 February 2002

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain fixed assets .

1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

1.3. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost or valuation less residual value of each asset over its expected useful life, as follows:

Leasehold properties	-	Straight line over the life of the lease
Plant and machinery	-	15% Reducing Balance
Fixtures, fittings and equipment	-	20% Reducing Balance
Motor vehicles	-	25% Reducing Balance

1.4. Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5. Pensions

The pension costs charged in the financial statements represent the contribution payable by the company during the year.

1.6. Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to materialise.

1.7. Investment properties

Investment property was valued at 28 February 2002 by J C Morris, a director of the company, on the basis of open market value.

In accordance with SSAP 19, no depreciation is provided in respect of investment properties. This represents a departure from the Companies Act 1985 requirements concerning the depreciation of fixed assets. The property is held for investment and the directors consider that the adoption of this policy is necessary to give a true and fair view.

2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK.

CHARLES MORRIS FERTILIZERS LIMITED

Notes to the financial statements for the year ended 28 February 2002

..... continued

3. Operating profit	2002	2001
	£	£
Operating profit is stated after charging:		
Depreciation and other amounts written off tangible assets	287,502	239,347
Operating lease rentals		
- Land and buildings	50,000	50,000
Auditors' remuneration	5,500	5,500
	<u> </u>	<u> </u>
and after crediting:		
Profit/(loss) on disposal of tangible fixed assets	19,377	(1,106)
	<u> </u>	<u> </u>
 4. Interest receivable and similar income	 2002	 2001
	£	£
Bank interest	16,232	22,341
Other interest	2,260	357
	<u> </u>	<u> </u>
	18,492	22,698
	<u> </u>	<u> </u>
 5. Interest payable and similar charges	 2002	 2001
	£	£
On overdue tax	-	535
	<u> </u>	<u> </u>

CHARLES MORRIS FERTILIZERS LIMITED

Notes to the financial statements for the year ended 28 February 2002

..... continued

6. Employees

Number of employees

The average monthly numbers of employees
(including the directors) during the year were:

	2002	2001
Office and management	8	5
Staff	23	25
	<u>31</u>	<u>30</u>

Employment costs

	2002 £	2001 £
Wages and salaries	879,099	744,008
Social security costs	90,905	84,455
Other pension costs	61,935	36,960
	<u>1,031,939</u>	<u>865,423</u>

6.1. Directors' emoluments

	2002 £	2001 £
Remuneration and other emoluments	354,807	319,756
Pension contributions	50,000	30,000
	<u>404,807</u>	<u>349,756</u>

Number of directors to whom retirement benefits
are accruing under a money purchase scheme

Number	Number
<u>2</u>	<u>2</u>

Highest paid director

Amounts included above:

	£	£
Emoluments and other benefits	152,839	116,571
Pension contributions	15,000	15,000
	<u>167,839</u>	<u>131,571</u>

CHARLES MORRIS FERTILIZERS LIMITED

Notes to the financial statements for the year ended 28 February 2002

..... continued

7. Pension costs

The company operates defined contribution pension schemes in respect of the directors and senior employees. The schemes and their assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £61,935 (2001 - £36,960).

8. Taxation	2002 £	2001 £
UK current year taxation		
UK corporation tax	81,452	24,434
Transfer to deferred taxation	30,012	9,156
	<u>111,464</u>	<u>33,590</u>
Prior years		
UK corporation tax	-	(32)
	<u>111,464</u>	<u>33,558</u>
9. Dividends	2002 £	2001 £
Dividends on equity shares:		
Ordinary shares - interim paid	<u>20,000</u>	<u>20,000</u>

CHARLES MORRIS FERTILIZERS LIMITED

Notes to the financial statements for the year ended 28 February 2002

..... continued

10. Tangible fixed assets	Land and buildings freehold £	Short leasehold property £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost or valuation						
At 1 March 2001	94,053	31,625	1,260,301	20,039	1,157,558	2,563,576
Additions	-	17,219	273,687	-	372,971	663,877
Revaluation	55,947	-	-	-	-	55,947
Disposals	-	-	-	(1,955)	(298,704)	(300,659)
At 28 February 2002	150,000	48,844	1,533,988	18,084	1,231,825	2,982,741
Depreciation						
At 1 March 2001	-	15,798	736,712	17,343	728,100	1,497,953
On disposals	-	-	-	(1,153)	(147,095)	(148,248)
Charge for the year	-	4,883	119,554	378	162,687	287,502
At 28 February 2002	-	20,681	856,266	16,568	743,692	1,637,207
Net book values						
At 28 February 2002	150,000	28,163	677,722	1,516	488,133	1,345,534
At 28 February 2001	94,053	15,827	523,589	2,696	429,458	1,065,623

11. Debtors	2002 £	2001 £
Trade debtors	589,781	588,531
Prepayments and accrued income	9,818	14,767
	599,599	603,298

CHARLES MORRIS FERTILIZERS LIMITED

Notes to the financial statements for the year ended 28 February 2002

..... continued

12. Creditors: amounts falling due within one year	2002 £	2001 £
Trade creditors	106,880	114,013
Corporation tax	81,452	24,434
Other taxes and social security costs	228,702	162,899
Other creditors	221,456	180,186
Accruals and deferred income	16,353	16,383
	<u>654,843</u>	<u>497,915</u>

13 Provisions for liabilities and charges

	Deferred taxation (Note 14) £	Total £
At 1 March 2001	61,236	61,236
Movements in the year	30,012	30,012
At 28 February 2002	<u>91,248</u>	<u>91,248</u>

CHARLES MORRIS FERTILIZERS LIMITED

Notes to the financial statements for the year ended 28 February 2002

..... continued

14. Deferred taxation

Deferred tax is analysed over the following timing differences:

	Provided	
	2002	2001
	£	£
Accelerated capital allowances	80,059	61,236
Surplus on revaluation	-	-
of property	11,189	-
	<u>91,248</u>	<u>61,236</u>

Movements on the provision for deferred taxation are:

	2002	2001
	£	£
At 1 March 2001	61,236	52,080
Transferred from profit and loss account	30,012	9,156
At 28 February 2002	<u>91,248</u>	<u>61,236</u>

15. Share capital

	2002	2001
	£	£
Authorised equity		
10,000 Ordinary shares of 1 each	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid equity		
10,000 Ordinary shares of 1 each	<u>10,000</u>	<u>10,000</u>

CHARLES MORRIS FERTILIZERS LIMITED

Notes to the financial statements for the year ended 28 February 2002

..... continued

16. Equity Reserves	Revaluation reserve £	Profit and loss account £	Total £
At 1 March 2001	-	1,315,384	1,315,384
Revaluation of property	55,947		55,947
Retained profit for the year		313,652	313,652
At 28 February 2002	<u>55,947</u>	<u>1,629,036</u>	<u>1,684,983</u>

17. Reconciliation of movements in shareholders' funds	2002 £	2001 £
Profit for the year	333,662	130,103
Dividends	(20,000)	(20,000)
	<u>313,662</u>	<u>110,103</u>
Other recognised gains or losses	55,947	-
Net addition to shareholders' funds	369,609	110,103
Opening shareholders' funds	1,325,384	1,215,281
Closing shareholders' funds	<u>1,694,993</u>	<u>1,325,384</u>

18. Financial commitments

At 28 February 2002 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2002 £	2001 £
Expiry date:		
In over five years	<u>50,000</u>	<u>50,000</u>

19. Transactions with directors

During the year the company paid £20,000 (2001 - £20,000) rent to Mr. J C Morris, a director of the company.

CHARLES MORRIS FERTILIZERS LIMITED

Notes to the financial statements for the year ended 28 February 2002

..... continued

20. Ultimate parent undertaking

Montrose Trading & Finance Limited, incorporated in the Isle of Man, is the ultimate parent company.

21. Gross cash flows

	2002 £	2001 £
Returns on investments and servicing of finance		
Interest received	18,492	22,698
Interest paid	-	(535)
	<u>18,492</u>	<u>22,163</u>
Taxation		
Corporation tax paid	<u>(24,434)</u>	<u>(12,021)</u>
Capital expenditure		
Payments to acquire tangible assets	(663,877)	(358,108)
Receipts from sales of tangible assets	<u>171,788</u>	<u>2,100</u>
	<u>(492,089)</u>	<u>(356,008)</u>

22. Analysis of changes in net funds

	Opening balance £	Cash flows £	Closing balance £
Cash at bank and in hand	<u>215,614</u>	<u>280,337</u>	<u>495,951</u>
Net funds	<u>215,614</u>	<u>280,337</u>	<u>495,951</u>