
SHEPPY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MAY 2002



SHEPPY LIMITED

Company Information

Directors	F D Stevens M J C Stevens A J Moon P C Stevens C K Stevens
Secretary	C Poynter
Company Number	1543842
Registered Office	Rushenden Road Queenborough Kent ME11 5HH
Accountants	Crossley & Co Chartered Accountants & Registered Auditors The Precinct Cathedral Close Rochester Kent ME1 1SZ

SHEPPY LIMITED

Contents

	Page
Directors' Report	1
Auditors' Report	2
Profit and Loss Account	3
Balance Sheet	4
Cash Flow Statement	5 - 6
Notes to the Financial Statements	7 - 15

SHEPPY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2002

The directors present their report and the financial statements for the year ended 31 May 2002.

Statement of 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 and of the profit or loss 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;
- state whether applicable accounting standards have been followed, 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 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.

Results and dividends

The profit for the year after taxation, amounted to £6,889 (2001 - £(45,912)).

Principal activities and review of business

The company's principal activity continues to be that of the manufacture of fertilisers and adhesives.

Directors

The directors who served during the year and their beneficial interests in the company's issued share capital were:

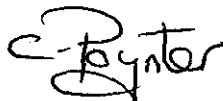
	<u>Preference shares of £1 each</u>		<u>Ordinary shares of £1 each</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
F D Stevens	-	-	-	-
M J C Stevens	-	-	100	100
A J Moon	-	-	-	-
P C Stevens	30,740	30,740	15,680	15,680
C K Stevens	-	-	12,551	12,551

Auditors

The auditors, Crossley & Co, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 20th January 2003 and signed on its behalf.

C Poynter
Secretary



AUDITORS' REPORT TO THE SHAREHOLDERS OF SHEPPY LIMITED

We have audited the financial statements on pages 3 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 1 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 31 May 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Crossley & Co

Crossley & Co

Chartered Accountants & Registered Auditors
The Precinct
Cathedral Close
Rochester
Kent ME1 1SZ

Date: 22nd January 2003

SHEPPY LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 May 2002

	Note	2002 £	2001 £
TURNOVER	1,2	393,361	861,616
Cost of sales		<u>(425,271)</u>	<u>(908,765)</u>
GROSS LOSS		(31,910)	(47,149)
Selling and distribution costs		(15,658)	(22,129)
Administrative expenses		(172,368)	(147,286)
Other operating income		<u>17,196</u>	<u>9,453</u>
OPERATING LOSS	4	(202,740)	(207,111)
Income from investments in related companies		239,286	200,000
Interest payable	7	<u>(31,190)</u>	<u>(38,801)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		5,356	(45,912)
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	8	<u>1,533</u>	<u>-</u>
RETAINED PROFIT/(LOSS) FOR THE YEAR		6,889	(45,912)
RETAINED PROFIT BROUGHT FORWARD		<u>9,484</u>	<u>55,396</u>
RETAINED PROFIT CARRIED FORWARD		<u><u>£ 16,373</u></u>	<u><u>£ 9,484</u></u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2002 or 2001 other than those included in the profit and loss account.

The notes on pages 7 to 15 form part of these financial statements.

SHEPPY LIMITED

BALANCE SHEET
As at 31 May 2002

	Note	£	2002 £	£	2001 £
FIXED ASSETS					
Tangible fixed assets	9		294,942		305,618
Investments	10		914,896		914,896
			<u>1,209,838</u>		<u>1,220,514</u>
CURRENT ASSETS					
Stocks	11	80,040		115,091	
Debtors	12	1,269,759		791,901	
		<u>1,349,799</u>		<u>906,992</u>	
CREDITORS: amounts falling due within one year	13	<u>(1,378,150)</u>		<u>(929,835)</u>	
NET CURRENT LIABILITIES			<u>(28,351)</u>		<u>(22,843)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,181,487</u>		<u>1,197,671</u>
CREDITORS: amounts falling due after more than one year	14		(27,694)		(49,234)
PROVISIONS FOR LIABILITIES AND CHARGES	15		<u>(17,990)</u>		<u>(19,523)</u>
NET ASSETS			<u>£ 1,135,803</u>		<u>£ 1,128,914</u>
CAPITAL AND RESERVES					
Called up share capital	16		575,109		575,109
Share premium account			544,321		544,321
Profit and loss account			16,373		9,484
SHAREHOLDERS' FUNDS	17		<u>£ 1,135,803</u>		<u>£ 1,128,914</u>

Shareholders' Funds include non-equity interests

The financial statements were approved by the board on

and signed on its behalf



Director *Bob Samways '03*

The notes on pages 7 to 15 form part of these financial statements.

SHEPPY LIMITED

CASH FLOW STATEMENT
For the year ended 31 May 2002

	Note	2002 £	2001 £
Net cash outflow from operating activities (Page 6)		(27,203)	(139,343)
Returns on investments and servicing of finance	18	208,096	161,199
Capital expenditure and financial investment	18	(26,485)	(12,170)
Cash inflow before use of liquid resources and financing		154,408	9,686
Financing:	18		
Issue of shares		-	-
Decrease in debt		(27,791)	(23,097)
Decrease in debt		(27,791)	(23,097)
Increase/(decrease) in cash in the period		£ 126,617	£ (13,411)

The notes on pages 7 to 15 form part of these financial statements.

SHEPPY LIMITED

CASH FLOW STATEMENT INFORMATION
For the year ended 31 May 2002

	Note	2002	2001
	£	£	£
RECONCILIATION OF OPERATING LOSS TO NET CASH			
OUTFLOW FROM OPERATING ACTIVITIES			
Operating loss		(202,740)	(207,111)
Depreciation of tangible fixed assets		48,570	52,981
Profit on disposal of tangible fixed assets		(3,909)	(2,486)
Increase in debtors		(477,858)	(134,627)
Decrease in stocks		35,051	9,695
Increase in creditors		573,683	142,205
Net cash outflow from operating activities		£ (27,203)	£ (139,343)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT			
IN NET DEBT			
	19		
Increase/(decrease) in cash in the period		126,617	(13,411)
Cash outflow from increase/(decrease) in debt and lease financing		27,791	23,097
Change in net debt resulting from cash flows		154,408	9,686
New finance leases		(7,500)	(32,004)
Movement in net debt in the period		146,908	(22,318)
Net debt at 1 June 2001		(388,014)	(365,696)
Net debt at 31 May 2002		£ (241,106)	£ (388,014)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2002

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom.

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and include the results of the company's operations which are described in the Directors' Report and all of which are continuing.

The company is exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of Value Added Tax and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold buildings	-	Straight line over 50 years
Plant & machinery	-	10-25% Straight line & reducing balance
Motor vehicles	-	25% reducing balance
Office equipment	-	10-25% Straight line & reducing balance

1.4 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.5 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

1.6 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.7 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2002

1.8 Deferred taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

1.9 Pensions

The company provides pensions, by invitation only, to full time employees over the age of 21 through two pension schemes. The Sheppy Staff Pension and Assurance Scheme is a group personal pension scheme and The Sheppy Fertilisers Executive Pension Scheme is a defined contribution scheme. The assets of the scheme are held independently of the company. The amount charged to the profit and loss account is the amount payable in the year.

2. TURNOVER

The whole of the turnover is attributable to the one principal activity of the company being the manufacture of fertilisers and adhesives.

All turnover arose within the United Kingdom

3. COST OF SALES AND EXPENSES

	2002		2001	
	Continuing	Discontinued	Continuing	Discontinued
	£	£	£	£
Cost of sales	425,271	-	908,765	-
Selling and distribution costs	15,658	-	22,129	-
Administrative expenses	172,368	-	147,286	-
Other operating income	(17,196)	-	(9,453)	-

4. OPERATING LOSS

The operating loss is stated after charging:

	2002	2001
	£	£
Depreciation of tangible fixed assets		
- owned by the company	35,946	36,149
- held under finance leases and hire purchase contracts	12,624	16,832
Audit fees	10,000	9,000
Auditors' remuneration - non-audit services	3,838	3,200
Foreign exchange differences	920	3,623

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2002

5. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2002 £	2001 £
Wages and salaries	181,689	255,994
Other pension costs	1,412	16,349
	<u>£ 183,101</u>	<u>£ 272,343</u>

The average monthly number of employees, including directors, during the year was as follows:

	2002	2001
Management	4	4
Laboratory	1	1
Sales	1	1
Factory	5	5
Adhesives	2	2
	<u>13</u>	<u>13</u>

6. DIRECTORS' REMUNERATION

	2002 £	2001 £
Aggregate emoluments	55,786	43,501
	<u>£ 55,786</u>	<u>£ 43,501</u>

7. INTEREST PAYABLE

	2002 £	2001 £
On bank loans and overdrafts	15,833	20,753
On other loans	9,931	10,046
	<u>25,764</u>	<u>30,799</u>
On finance leases and hire purchase contracts	5,426	8,002
	<u>£ 31,190</u>	<u>£ 38,801</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2002

8. TAXATION

	2002 £	2001 £
Current year taxation		
Transfer from deferred taxation	£ (1,533)	£ -

If provision had been made for deferred taxation on the basis of the full potential liability, the taxation charge would have been increased by £815 (2001 - £ NIL) as follows:

Capital allowances in advance of depreciation	£ 815	£ -
---	-------	-----

9. TANGIBLE FIXED ASSETS

	Freehold Land & Buildings £	Plant & Machinery £	Fixtures & Equipment £	Motor Vehicles £	Leased Assets £	Total £
Cost or valuation						
At 1 June 2001	180,720	355,055	83,765	37,731	114,312	771,583
Additions	-	15,270	9,647	21,863	-	46,780
Disposals	-	-	-	(14,520)	-	(14,520)
At 31 May 2002	180,720	370,325	93,412	45,074	114,312	803,843
Depreciation						
At 1 June 2001	41,761	272,274	75,956	12,159	63,815	465,965
Charge for year	1,807	21,953	2,771	9,415	12,624	48,570
On disposals	-	-	-	(5,634)	-	(5,634)
At 31 May 2002	43,568	294,227	78,727	15,940	76,439	508,901
Net Book Value						
At 31 May 2002	£ 137,152	£ 76,098	£ 14,685	£ 29,134	£ 37,873	£ 294,942
At 31 May 2001	£ 138,959	£ 82,781	£ 7,809	£ 25,572	£ 50,497	£ 305,618

Included in land and buildings is freehold land valued at £90,360 (2001 - £90,360) which is not depreciated.

Included above are assets held under finance leases or hire purchase contracts as follows:

	2002 £	2001 £
Plant & Machinery	58,671	50,496
Motor Vehicles	9,282	12,376
	£ 67,953	£ 62,872

SHEPPY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2002

10. FIXED ASSET INVESTMENTS

	Shares in group undertakings £	Total £
Cost		
At 1 June 2001	914,896	914,896
At 31 May 2002	914,896	914,896
Net Book Value		
At 31 May 2002	£ 914,896	£ 914,896
At 31 May 2001	£ 914,896	£ 914,896

Investments include an investment in a subsidiary, Stevens Chemical Manure Company Limited (Dormant), comprising a holding of 100% of its issued ordinary capital.

During its latest financial year Stevens Chemical Manure Company Limited was a non-trading company and at the end of that year the aggregate of its capital and reserves was £42,810 (2001 - £42810) .

Investments include an investment in a subsidiary, Sheppy Fertilisers Limited (Fertiliser manufacturers and agricultural merchants), comprising a holding of 100% of its issued ordinary capital.

During its latest financial year Sheppy Fertilisers Limited made a profit after tax of £52,967 (2001 - £19320) and at the end of that year the aggregate of its capital and reserves was £565,388 (2001 - £567421) .

Investments include an investment in a subsidiary, Matahari 306 Limited (Dormant), comprising a holding of 85.7% of its issued ordinary capital.

During its latest financial year Matahari 306 Limited was a non-trading company and at the end of that year the aggregate of its capital and reserves was £8,505 (2001 - £8,505) .

11. STOCKS

	2002 £	2001 £
Bio Science Stock	-	10,000
Adhesives Stock	27,719	29,732
Fertilisers Stock	52,321	75,359
	£ 80,040	£ 115,091

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2002

12. DEBTORS

	2002 £	2001 £
Due within one year		
Trade debtors	23,390	34,271
Amounts owed by group undertakings	1,012,799	534,649
Other debtors	191,062	179,051
Prepayments and accrued income	42,508	43,930
	<u>£ 1,269,759</u>	<u>£ 791,901</u>

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

	2002 £	2001 £
Bank loans and overdrafts	186,118	312,735
Net obligations under finance lease and hire purchase contracts	27,294	26,045
Trade creditors	59,361	132,878
Amounts owed to group undertakings	683,578	70,830
Social security and other taxes	13,575	17,199
Other creditors	262,726	238,729
Accruals and deferred income	145,498	131,419
	<u>£ 1,378,150</u>	<u>£ 929,835</u>

The bank overdraft is secured against investment properties held in Sheppy Industries Limited.

14. CREDITORS:**Amounts falling due after more than one year**

	2002 £	2001 £
Net obligations under finance lease and hire purchase contracts	27,694	49,234
	<u>£ 27,694</u>	<u>£ 49,234</u>

Included within the above are amounts falling due as follows:

In 1 - 2 years:

Finance lease and hire purchase obligations	<u>20,031</u>	<u>28,581</u>
---	---------------	---------------

In 2 - 5 years:

Finance lease and hire purchase obligations	<u>7,663</u>	<u>20,653</u>
---	--------------	---------------

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2002

15. PROVISIONS FOR LIABILITIES AND CHARGES

	2002 £	2001 £
<i>Deferred Tax</i>		
At 1 June 2001	19,523	19,523
Charge/(credit) for the year	(1,533)	-
	<u> </u>	<u> </u>
At 31 May 2002	£ 17,990	£ 19,523
	<u> </u>	<u> </u>

The additional potential liability for deferred taxation not provided was as follows:

	2002 £	2001 £
Accelerated capital allowances	-	40,440
Loss carried forward	-	(20,917)
	<u> </u>	<u> </u>
	£ -	£ 19,523
	<u> </u>	<u> </u>

16. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised		
66,537 ordinary shares of £1 each	66,537	66,537
2 Deferred shares of £1 each	2	2
508,570 Preference shares of £1 each	508,570	508,570
	<u> </u>	<u> </u>
	£ 575,109	£ 575,109
	<u> </u>	<u> </u>
Authorised, allotted, called up and fully paid		
66,539 ordinary shares of £1 each	66,359	66,539
508,570 Deferred shares of £1 each	508,750	508,570
	<u> </u>	<u> </u>
	£ 575,109	£ 575,109
	<u> </u>	<u> </u>

The cumulative preference shares have a dividend rate of 8.62% which is paid at the discretion of the directors and before any dividend is declared on the ordinary shares. Preference shareholders have no voting rights except if the preference dividends are in arrears by more than six months or if the resolution to be considered is to wind up or sell the company or alter the objects or vary the rights of the preferential shareholders. There were no preference dividends in arrears. On liquidation, the preference shareholders have no right to share in the distribution of any assets other than the return of capital.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2002

17. SHAREHOLDERS' FUNDS**Reconciliation of movements on shareholders' funds**

	2002 £	2001 £
Profit/(loss) for the year	6,889	(45,912)
Opening shareholders' funds	<u>1,128,914</u>	<u>1,174,826</u>
Closing shareholders' funds	<u>£ 1,135,803</u>	<u>£ 1,128,914</u>

Analysis of shareholders' funds

	2002 £	2001 £
Non-equity interests	508,750	508,570
Equity interests	<u>627,053</u>	<u>620,344</u>
	<u>£ 1,135,803</u>	<u>£ 1,128,914</u>

**18. ANALYSIS OF CASH FLOWS FOR HEADINGS
NETTED IN THE CASH FLOW STATEMENT**

	2002 £	2001 £
Returns on investments and servicing of finance		
Interest paid	(25,764)	(30,799)
Interest element of finance lease rentals	(5,426)	(8,002)
Income received from investments	239,286	200,000
Net cash inflow for returns on investments and servicing of finance	<u>£ 208,096</u>	<u>£ 161,199</u>
	2002 £	2001 £

**18. ANALYSIS OF CASH FLOWS FOR HEADINGS
NETTED IN THE CASH FLOW STATEMENT (Continued)****Capital expenditure and financial investment**

Purchase of tangible fixed assets	(39,280)	(18,371)
Sale of tangible fixed assets	12,795	6,200
Net cash outflow for capital expenditure	<u>£ (26,485)</u>	<u>£ (12,171)</u>

SHEPPY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2002

	2002 £	2001 £
18. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT (Continued)		
Financing		
Capital element of finance lease rentals	(27,791)	(23,097)
Decrease in debt	<u>(27,791)</u>	<u>(23,097)</u>
Net cash outflow from financing	<u>£ (27,791)</u>	<u>£ (23,097)</u>

19. ANALYSIS OF NET DEBT

	At 1 Jun 2001 £	Cash flow £	Other changes £	At 31 May 2002 £
Net cash:				
Cash at bank and in hand	-			-
Bank overdrafts	(312,735)	126,617		(186,118)
	<u>(312,735)</u>	<u>126,617</u>		<u>(186,118)</u>
Debt:				
Finance leases	(75,279)	27,791	(7,500)	(54,988)
	<u>(75,279)</u>	<u>27,791</u>	<u>(7,500)</u>	<u>(54,988)</u>
Net debt	<u>£ (388,014)</u>	<u>£ 154,408</u>	<u>£ (7,500)</u>	<u>£ (241,106)</u>

20. RELATED PARTIES

During the year, £1,141,717 funds were transferred from Sheppy Fertilisers Limited, a subsidiary. £541,894 expenses were incurred by Sheppy Limited on behalf of Sheppy Fertilisers Limited and £15,246 expenses were incurred by Sheppy Fertilisers Limited on behalf of Sheppy Limited. Recharges totaling £67,729 were made to Sheppy Fertilisers Limited and as at 31.5.02, £340,770 was owed to Sheppy Fertilisers Limited. A dividend of £55,000 was received from Sheppy Fertilisers Limited.

As at 31.5.02, £796,717 was due from Montash Properties Limited, a subsidiary. £95,192 expenses were incurred by Sheppy Limited on behalf of Montash Properties and £25,611 expenses were paid on behalf of Sheppy Limited.

As at 31.5.02, £212,464 was due from Sheppy Industries Limited, a subsidiary. During the year, £86,080 expenses were incurred on behalf of Sheppy Industries and £35,920 expenses were paid by Sheppy Industries Limited on behalf of Sheppy Limited.

A dividend of £184,286 was received from Matahari 306 Limited, a subsidiary. As at 31.5.02, £3617 was due from Matahari 306 Ltd.

As at 31.5.02, £42,808 was due to Stevens Chemical Manure Company Ltd. There were no transactions with the subsidiary during the year.