Dutton-Forshaw (Land Machinery) Limited

Directors' report and financial statements

Registered number 447678

15 months ended 31 December 1999

Contents

Directors' report

The directors of Dutton-Forshaw (Land Machinery) Limited present their annual report and the audited financial statements for the 15 months ended 31 December 1999.

Principal activities and business review

The principal activity of the company continues to consist of the distribution of agricultural, horticultural and garden machinery and equipment. The company trades via three agents, Watveare Limited, WestMac Limited and LandMec Limited.

Market conditions in the agricultural sector remained difficult throughout the year due to the problems faced by the farming community.

The outlook for the coming year is for little improvement, but with additional investment made in the Outdoor Power Equipment sector we are looking for continuing growth in this area.

Company results and dividends

The accounts for the 15 month period ended 31 December 1999 show an operating loss of £113,000 *(year ended 30 September 1998: profit of £198,000)* on turnover of £11,590,000 *(year ended 30 September 1998: £10,031,000)*. There is a loss on ordinary activities after taxation for the financial period of £82,000 *(year ended 30 September 1998 profit: £165,000)*.

A dividend of £195,000 *(year ended 30 September 1998: £105,000)* was paid during the period and the directors propose a transfer from reserves of £277,000 *(year ended 30 September 1998 transfer to reserves: £60,000)*. Details of the movements in reserves are shown in the notes to the accounts.

Directors and directors' interests

The present Board of the company is set out below. All directors served throughout the year, except where indicated otherwise.

J Barker	
CDE Cameron	(appointed 28 April 1999)
DE Jones	(Managing Director)
AE Manning	
SM Metcalfe	
JR Robinson	(Chairman)
KA Tuck	

In accordance with the company's Articles of Association, Messrs Cameron, Jones and Metcalfe retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

No director had at any time during the period a material interest in any contract of significance in relation to the company's business.

The interests of Messrs Robinson, Cameron and Manning in The Dutton-Forshaw Group Limited (formerly Dutton-Forshaw Investments Limited) are disclosed in the accounts of that company. The interests of Mr Jones in The Dutton-Forshaw Group Limited are disclosed in the accounts of Dutton-Forshaw Machinery Limited.

None of the directors at the end of the financial period had any disclosable interest in the shares of the company.

Payment of creditors

The company complies with the CBI prompt payment code for all suppliers. A copy of this code is available from the Confederation of British Industry, Centre Point, 103 New Oxford Street, London, WC1A 1DU.

Directors report *(continued)*

Millennium issues

The company conducted a risk-based review of its computer systems and processes to identify those which could be affected, and developed an implementation plan to test and remedy any faults. In accordance with group accounting policies, all remedial costs, which were not considered to be significant to the company, were written off as incurred.

No problems have arisen to date but it must be recognised however that, with an issue as large and complex as this, it is not possible to give any guarantees that unforeseen problems will not arise in the coming months.

Employees

The company has arrangements to keep all its employees informed of matters of concern to them. This is achieved through an employee newsletter, briefings and consultative meetings.

The company's policy and practice is to encourage, where possible, the employment of disabled people, and to assist their recruitment, training, career development and promotion and to retain employees who become disabled.

Auditors

PriceWaterhouseCoopers resigned as auditors on 1 October 1999. KPMG were appointed as auditors on 1 October 1999 to fill a casual vacancy in accordance with Section 388 (1) of Companies Act 1985. A resolution to re-appoint KPMG as auditors will be proposed at the Annual General Meeting.

By order of the board

SM Metcalfe
Secretary

Redlake Trading Estate
Ivybridge
Devon
PL21 0EZ

28 March 2000

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 for that year. 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG
2 Cornwall Street
Birmingham
B3 2DL

Report of the auditors to the members of Dutton-Forshaw (Land Machinery) Limited

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by 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 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 with the company is not disclosed.

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 December 1999 and of its loss for the 15 month period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

28 March 2000

Profit and loss account

for the 15 month period ended 31 December 1999

	Note	**15 months ended 31 December 1999**	12 months ended 31 December 1999 Unaudited	Year ended 30 September 1998
		£000	£000	£000
Turnover	*1*	**11,590**	10,436	10,031
Cost of sales		**(8,640)**	(7,779)	(7,006)
Gross profit		**2,950**	2,657	3,025
Distribution costs		**(2,023)**	(1,552)	(1,927)
Administration expenses		**(1,040)**	(823)	(900)
Operating (loss)/profit	*2*	**(113)**	282	198
Interest receivable	*5*	**102**	87	45
Interest payable and similar charges	*5*	**(72)**	(59)	(38)
(Loss)/profit on ordinary activities before taxation		**(83)**	310	205
Taxation on (loss)/profit on ordinary activities	*6*	**1**	-	(40)
(Loss)/profit on ordinary activities after taxation		**(82)**	310	165
Dividends	*7*	**(195)**	(195)	(105)
Retained (loss)/profit for the period	*16*	**(277)**	115	60

The company has no recognised gains and losses other than those disclosed in the profit and loss account for either period.

There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis for either period.

All items derive from continuing operations.

Balance sheet
at 31 December 1999

	Note	31 December 1999 £000	30 September 1998 £000
Fixed assets			
Tangible assets	8	677	700
Investments	9	313	313
		990	1,013
Current assets			
Stocks	10	2,029	2,033
Debtors	11	1,658	1,820
Cash at bank and in hand		610	1,159
		4,297	5,012
Creditors: Amounts falling due within one year	12	(2,384)	(2,859)
Net current assets		1,913	2,153
Total assets less current liabilities		2,903	3,166
Creditors: Amounts falling due after more than one year	13	(639)	(625)
Net assets		2,264	2,541
Capital and reserves			
Called up share capital	15	30	30
Revaluation reserve	16	1	1
Profit and loss account	16	2,233	2,510
Shareholders' funds		2,264	2,541

These financial statements were approved by the board of directors on 28 March 2000 and were signed on its behalf by:

DE Jones
Director

CDE Cameron
Director

Registered number 447678

Reconciliation of movements in shareholders' funds
for the 15 month period ended 31 December 1999

	15 months ended 31 December 1999 £000	Year ended 30 September 1998 £000
(Loss)/profit for the financial period	**(82)**	165
Dividends	**(195)**	(105)
Net (decrease)/increase in shareholders' funds	**(277)**	60
Opening shareholders' funds	**2,541**	2,481
Closing shareholders' funds	**2,264**	2,541

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules, modified to include the revaluation of certain land and buildings/assets.

Cash flow statement

Financial Reporting Standard Number 1 "Cash Flow Statements" ("FRS1") exempts undertakings from the requirement to produce such a statement where they are wholly owned subsidiaries of undertakings which prepare a consolidated cash flow statement in accordance with FRS1. The Dutton-Forshaw Group Limited (formerly Dutton-Forshaw Investments Limited), the company's ultimate parent undertaking at 31 December 1999, prepares such a statement and the company has therefore taken advantage of the exemption.

Exchange rates

Foreign currency assets and liabilities are translated into sterling on the following basis:

a) amounts covered by forward purchases of foreign currency or by currency exposure agreements with suppliers - at the rates obtained.

b) amounts not covered by forward purchases of foreign currency - at the rates ruling at 31 December.

All other adjustments due to fluctuations arising in the normal course of trade are included in profit before tax.

Profits on disposal of assets

Profits and losses on disposal of fixed assets arising from the ordinary activities of the company are included in profit before tax.

Surpluses on revaluation of fixed assets, which have previously been taken to revaluation reserve, are transferred to the profit and loss reserve on disposal of the fixed asset.

Depreciation

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life determined as follows:

Freehold buildings	-	2% of cost
Plant and machinery	-	10-20% of cost
Motor vehicles	-	25% of cost
Fixtures, fittings, tools and equipment	-	10-33% per annum

No depreciation is provided on freehold land.

Pension costs

The company is a participating employer in the Dutton-Forshaw Group Pension Plan, a defined benefit pension scheme for all eligible employees, the assets of which are held in separate, trustee administered funds.

Independent actuaries prepare valuations of the scheme at least every three years and in accordance with their recommendations the group makes contributions which are charged to profits on a systematic and rational basis over the expected remaining working life of the employees. Any differences between the actuarial valuation and the value of the group's assets in the scheme are similarly charged or credited to profit before tax over the expected remaining working life of employees in the scheme.

Notes *(continued)*

1 Accounting policies *(continued)*

Deferred tax

Deferred tax, whether United Kingdom or overseas, is calculated under the liability method and is only provided where it is anticipated to be payable within the foreseeable future.

Deferred tax which is not anticipated to be payable within the foreseeable future is included in contingent liabilities.

Leases

The cost of assets held under finance leases is capitalised within the appropriate tangible fixed asset heading and depreciation is provided in accordance with the group's accounting policy for the category of asset concerned. The interest cost is charged over the term of the lease and the capital element of future lease payments is included in creditors.

The cost of operating leases is charged to profit before taxation as incurred.

Stock and work in progress

Stock and work in progress is stated at the lower of cost and net realisable value. Where relevant, cost includes an appropriate share of overheads.

Turnover

Turnover represents sales of goods and services outside the company net of discounts, allowances and value added tax.

The only activity of the company is the distribution of agricultural, horticultural and garden machinery and equipment.

There was no significant turnover from sales outside the UK.

All sales originate in the United Kingdom.

2 Operating (loss)/profit

	15 months ended 31 December 1999 £000	Year ended 30 September 1998 £000
Operating (loss)/profit is stated after charging		
Operating lease charges:		
Cars, plant and machinery	**185**	150
Depreciation charge:		
Owned tangible assets	**110**	88
Auditors' remuneration:		
Audit fees	**18**	26
Non-audit fees	**2**	4
Reorganisation and redundancy costs	**-**	50
Profit on disposal of fixed assets	**7**	16

Notes *(continued)*

3 Emoluments of the directors

	15 months ended 31 December 1999 £000	Year ended 30 September 1998 £000
Aggregate emoluments (including expense allowances and benefit in kind but excluding payments to the defined benefit pension scheme)	**225**	147

Highest paid director

	15 months ended 31 December 1999 £000	Year ended 30 September 1998 £000
Aggregate emoluments	**76**	57
Amount accrued under a defined benefit pension scheme at the end of the period	**11**	9

No share options were granted to directors during the period. The number of directors who are members of the group pension scheme is six *(year ended 30 September 1998: five)*.

4 Staff numbers and costs

The average number of persons employed by the company during the period was as follows:

	15 months ended 31 December 1999	Year ended 30 September 1998
	66	78

The aggregate payroll cost was as follows:

	15 months ended 31 December 1999 £000	Year ended 30 September 1998 £000
Wages and salaries	**1,458**	1,424
Social security costs	**113**	114
Other pension costs (note 17)	**78**	71
	1,649	1,609

Notes *(continued)*

5 Net interest receivable / (payable)

	15 months ended 31 December 1999 £000	Year ended 30 September 1998 £000
Bank interest receivable	**102**	45
Interest payable:		
On overdrafts and other loans repayable within five years	**(33)**	(14)
On bills of exchange	**(39)**	(24)
	(72)	(38)
Net interest receivable	**30**	7

6 Taxation on (loss)/profit on ordinary activities

	15 months ended 31 December 1999 £000	Year ended 30 September 1998 £000
Corporation tax - prior year adjustment	**1**	(40)

The company has tax losses for the period which will be made available for group relief, but for which no consideration is expected to be received *(year ended 30 September 1998: group relief received for which no consideration was paid)*.

7 Dividends paid

	15 months ended 31 December 1999 £000	Year ended 30 September 1998 £000
Dividends paid at £1.30 per share *(year ended 30 September 1998 £0.70 per share)*	**195**	105

Notes *(continued)*

8 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Motor vehicles, fixtures, fittings, and equipment	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 October 1998	585	310	901	1,796
Additions	14	8	65	87
Disposals	-	(13)	(42)	(55)
At 31 December 1999	**599**	**305**	**924**	**1,828**
Depreciation				
At 1 October 1998	95	247	754	1,096
Disposals	-	(13)	(42)	(55)
Charge for the period	13	24	73	110
At 31 December 1999	**108**	**258**	**785**	**1,151**
Net book value				
At 31 December 1999	**491**	**47**	**139**	**677**
At 30 September 1998	490	63	147	700

In accordance with company accounting policy no depreciation has been provided on freehold land, which at 31 December 1999 had a book value of £50,000 *(30 September 1998: £50,000)*.

Assets shown below at valuation were valued by independent professional valuers in the year shown on the basis of open market value with vacant possession for existing use.

	Freehold land and buildings	Plant and machinery	Motor vehicles, fixtures, fittings, and equipment	Total
	£000	£000	£000	£000
Cost or valuation				
1985 Valuation	150	-	-	150
Cost	449	305	924	1,678
At 31 December 1999	**599**	**305**	**924**	**1,828**
Depreciation				
1985 Valuation	29	-	-	29
Cost	79	258	785	1,122
At 31 December 1999	**108**	**258**	**785**	**1,151**

Notes *(continued)*

8 Tangible fixed assets *(continued)*

Historical cost of revalued assets

	Freehold land and buildings £000
Cost	134
Depreciation	(25)
Net historical book value at 31 December 1999	109
Cost	134
Depreciation	(22)
Net historical book value at 30 September 1998	112

9 Investments

	Shares in group undertakings £000
Cost	
At 1 October 1998 and 31 December 1999	313

All investments in subsidiaries are carried in the books at their cost or fair value at acquisition, there having been no subsequent provisions made against the carrying value of investments.

The subsidiary undertakings of the company are as follows:

	Country of incorporation	**Principal activity**	**Class and percentage of shares held**
JF (GB) Limited	England	Dormant	Ordinary 100%
LandMec Limited	Scotland	Agricultural machinery distribution	Ordinary 100%
Watveare Limited	England	Agricultural machinery distribution	Ordinary 100%
WestMac Limited	England	Agricultural machinery distribution	Ordinary 100%
Shellglade Advertising Limited	England	Advertising agency	Ordinary 100%

In the opinion of the directors the aggregate value of the investment in subsidiary undertakings is not less than the amounts at which these assets are stated in the balance sheet.

10 Stocks

	31 December 1999 £000	30 September 1998 £000
Goods for resale	**2,029**	2,033

In the opinion of the directors the estimated net replacement cost of stocks is not materially different from the above figures.

Notes *(continued)*

11 Debtors

	31 December 1999 £000	30 September 1998 £000
Trade debtors	1,440	1,443
Amounts owed by parent and fellow subsidiary undertakings	22	63
Other debtors	134	221
Prepayments and accrued income	62	93
	1,658	1,820

12 Creditors: Amounts falling due within one year

	31 December 1999 £000	30 September 1998 £000
Trade creditors	810	772
Bills of exchange	360	804
Amounts due to parent and fellow subsidiary undertakings	43	-
Amounts due to subsidiary undertakings	313	313
Indirect tax and social security liabilities	116	65
Accruals	672	905
Other creditors	70	-
	2,384	2,859

13 Creditors: Amounts falling due after more than one year

	31 December 1999 £000	30 September 1998 £000
Other creditors	639	625

14 Provisions for liabilities and charges - deferred taxation

No provision has been made for deferred taxation at 31 December 1999 *(30 September 1998: £Nil)*.

The full potential liability/(asset) for deferred taxation at 30% *(1998: 31%)* can be analysed as follows:

	31 December 1999 £000	30 September 1998 £000
Estimated total contingent liability/(asset):		
Fixed assets	60	77
Other timing differences	(211)	(194)
	(151)	(117)

Notes *(continued)*

15 Called up share capital

	31 December 1999 £000	30 September 1998 £000
Authorised:		
150,000 ordinary shares of 20p	**30**	30
Allotted, called up and fully paid:		
150,000 ordinary shares of 20p	**30**	30

16 Reserves

	Revaluation reserve £000	Profit and loss account £000
At 1 October 1998	1	2,510
Retained loss for the period	-	(277)
At 31 December 1999	1	2,233

17 Pension costs

The company is a participating employer in the Dutton-Forshaw Group Pension Plan, a pension scheme providing benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 6 April 1999. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. The principal assumptions adopted were that the annual rate of return on investments would be 2% higher than the annual increase in total pensionable remuneration and 4.5% higher than the annual increase in present and future pensions in payment.

The most recent actuarial valuation showed that the market value of the scheme's assets was £50,273,000 at 6 April 1999 and that the actuarial value of those assets represented 102% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The pension charge for the period was £78,000 *(year ended 30 September 1998: £71,000)*.

18 Capital commitments

	31 December 1999 £000	30 September 1998 £000
Contracted for but not yet provided	-	3
Authorised by the directors but not contracted for	11	35

Notes *(continued)*

19 Operating leases

The annual commitments of the company under operating leases were as set out below:

	31 December 1999 £000	30 September 1998 £000
Operating leases which expire:		
Within one year	42	39
Between one and five years	83	20
	125	59

20 Contingent liabilities

	31 December 1999 £000	30 September 1998 £000
Guarantee in respect of fellow subsidiary undertaking banking facilities	19,139	5,922

Dutton-Forshaw (Land Machinery) Limited and its subsidiaries have given guarantees in respect of a group VAT scheme which is in the ordinary course of business and on which no liability is expected to arise.

21 Related party disclosures

The company has availed itself of the exemption available under paragraph 3(c) of Financial Reporting Standard Number 8 ("Related Party Disclosures") in not providing details of transactions with entities forming part of The Dutton-Forshaw Group Limited (formerly Dutton-Forshaw Investments Limited) group or investees of that group.

22 Ultimate parent undertaking

The company's ultimate parent undertaking is The Dutton-Forshaw Group Limited (formerly Dutton-Forshaw Investments Limited), a company incorporated in Great Britain and registered in England and Wales.

The results of the company are included within the group financial statements of The Dutton-Forshaw Group Limited but are not included within any other group financial statements.

Copies of The Dutton-Forshaw Group Limited group financial statements may be obtained from The Threshing Barn, Bignell Park Barns, Chesterton, Oxon, OX6 8TD.

In the opinion of the directors the group's ultimate controlling party is CVC European Equity Partners Limited and its associated companies.