

Land Machinery Limited

Directors' report and consolidated
financial statements

Registered number 447678

30 September 2004



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Directors' report

The directors of Land Machinery Limited present their annual report and the audited financial statements for the period ended 30 September 2004.

Principal activities and business review

The principal activity of the company continues to consist of the distribution of agricultural and horticultural garden machinery and equipment.

The company has changed its accounting reference date from 31 December to 30 September and therefore presents results for the nine months ended 30 September 2004.

Total Farm Income in 2004 was at a similar level to that for 2003 and the company has produced a satisfactory result in the given market conditions.

Looking to next year, there is a general concern that reform of the Common Agricultural Policy may, in the short term, hold back farm investment adversely affecting the overall machinery market.

Company results and dividends

The financial statements for the period ended 30 September 2004 show profit before tax of £289,000 (*year ended 31 December 2003: £853,000*) on turnover of £7,430,000 (*year ended 31 December 2003: £9,322,000*). There is a profit on ordinary activities after taxation for the period of £211,000 (*year ended 31 December 2003: £873,000*).

A dividend of £61,000 is proposed (*2003: £1,728,000 paid and £75,000 proposed*) and a transfer to reserves of £150,000 (*2003: transfer from reserves of £930,000*). Details of the movements in reserves are shown in the notes to the financial statements.

Directors and directors' interests

The present Board of the company is set out below. All directors served throughout the period. The directors who held office at the end of the financial period had the following interests in the 20p ordinary shares of the company according to the register of directors' interests:

**Interest at start
and end of period**

DE Jones	(Managing Director)	108,750
SM Metcalfe		33,750
RJ Phillimore		7,500

No director had at any time during the period a material interest in any contract of significance in relation to the company's business, other than DE Jones whose interest in IAM Agricultural Machinery Limited, and related contracts are summarised at note 24 to the financial statements.

Political and charitable contributions

The group made no political contributions during the period. Donations to UK Charities amounted to £275.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution to re-appoint KPMG LLP 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
2004

22 December

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 group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group and to prevent and detect fraud and other irregularities.



KPMG LLP
Plym House
3 Longbridge Road
Marsh Mills
Plymouth
PL6 8LT
United Kingdom

Independent auditors' report to the members of Land Machinery Limited

We have audited the financial statements on pages 4 to 17.

This report is made solely to the company's members, as a body, in accordance with section 235 of the 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 an auditor's 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 auditor

The directors are responsible for preparing the directors' report and, as described on page 2, 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 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 group is not disclosed.

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 affairs of the company and the group as at 30 September 2004 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

23 December 2004

Consolidated profit and loss account
for the nine months ended 30 September 2004

	<i>Note</i>	9 months to 30 September 2004	12 months to 31 December as restated 2003
		£000	£000
Turnover	<i>1</i>	7,430	9,322
Cost of sales		(5,600)	(7,058)
		<hr/>	<hr/>
Gross profit		1,830	2,264
Distribution costs		(687)	(648)
Administration expenses		(832)	(763)
		<hr/>	<hr/>
Operating profit	<i>2</i>		
Operating profit before exceptionals		311	249
Exceptional operating income		-	604
		<hr/>	<hr/>
		311	853
Net interest payable and similar charges	<i>5</i>	(22)	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation		289	853
Taxation on profit on ordinary activities	<i>6</i>	(78)	20
		<hr/>	<hr/>
Profit on ordinary activities after taxation		211	873
Dividends	<i>7</i>	(61)	(1,803)
		<hr/>	<hr/>
Profit transferred to/(from) to reserves	<i>17</i>	150	(930)
		<hr/>	<hr/>

The group 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 sheets
at 30 September 2004

		Group		Company	
	<i>Note</i>	30 September 2004 £000	31 December 2003 £000	30 September 2004 £000	31 December 2003 £000
Fixed assets					
Tangible assets	8	90	68	90	68
Investments	9	-	-	313	313
		<hr/>	<hr/>	<hr/>	<hr/>
		90	68	403	381
		<hr/>	<hr/>	<hr/>	<hr/>
Current assets					
Stocks	10	2,284	2,197	2,284	2,197
Debtors	11	1,430	1,144	1,430	1,144
Cash at bank and in hand		663	858	663	858
		<hr/>	<hr/>	<hr/>	<hr/>
		4,377	4,199	4,377	4,199
		<hr/>	<hr/>	<hr/>	<hr/>
Creditors: Amounts falling due within one year	12	(2,342)	(2,309)	(2,655)	(2,622)
		<hr/>	<hr/>	<hr/>	<hr/>
Net current assets		2,035	1,890	1,722	1,577
		<hr/>	<hr/>	<hr/>	<hr/>
Total assets less current liabilities		2,125	1,958	2,125	1,958
		<hr/>	<hr/>	<hr/>	<hr/>
Creditors: Amounts falling due after more than one year	13	(17)	-	(17)	-
		<hr/>	<hr/>	<hr/>	<hr/>
Net assets		2,108	1,958	2,108	1,958
		<hr/>	<hr/>	<hr/>	<hr/>
Capital and reserves					
Called up share capital	15	30	30	30	30
Profit and loss account	16	2,078	1,928	2,078	1,928
		<hr/>	<hr/>	<hr/>	<hr/>
Equity shareholders' funds		2,108	1,958	2,108	1,958
		<hr/>	<hr/>	<hr/>	<hr/>

These financial statements were approved by the board of directors on **22 December** 2004 and were signed on its behalf by:



DE Jones
Director



SM Metcalfe
Director

Consolidated cash flow statement
for the nine months ended 30 September 2004

	<i>Note</i>	9 months to 30 September 2004 £000	12 months to 31 December 2003 £000
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit		311	853
Depreciation charges		21	27
Profit on sale of fixed assets		(28)	(8)
Increase in stocks		(87)	(809)
Increase in debtors		(299)	(321)
Increase in creditors		25	5
		<hr/>	<hr/>
Net cash outflow from operating activities		(57)	(253)
		<hr/>	<hr/>

Cash flow statement

Cash flow from operating activities		(57)	(253)
Returns on investments and servicing of finance	<i>21</i>	(11)	-
Taxation		(65)	(40)
Capital expenditure and financial investment	<i>21</i>	22	(39)
Equity dividends paid		(75)	(1,728)
Management of liquid resources – Short term loan to parent company		-	2,200
Financing – Hire purchase repayments		(9)	-
		<hr/>	<hr/>
(Decrease)/increase in cash in the period	<i>22</i>	(195)	140
		<hr/>	<hr/>

Notes*(forming part of the financial statements)***1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 September 2004. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account. The profit dealt with in the accounts of the company are stated at note 16.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction, or if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

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:

Plant and machinery	-	10-20% per annum
Motor vehicles	-	25% per annum
Fixtures, fittings, tools and equipment	-	10-33% per annum

Leasehold improvements are depreciated over the period of the lease.

Pension costs

Land Machinery Limited operates a defined contribution group personal pension plan, the assets of which are held separately in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Notes (continued)**1 Accounting policies (continued)*****Taxation***

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Leases and Hire Purchase

Assets acquired under finance leases and hire purchase contracts are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account 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 group net of discounts, allowances and value added tax.

The principal activity of the group 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 UK.

2 Operating profit

	9 months to 30 September 2004 £000	12 months to 31 December 2003 £000
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Operating profit is stated after charging/(crediting)**Operating lease charges:**

Land and buildings	61	47
Motor vehicles, plant and machinery	81	103
Depreciation of tangible fixed assets – owned	16	26
- leased	1	1
- hire purchased	4	-

Auditors' remuneration:

Group - audit fees	9	11
Exceptional items:		
Release of pension provision	-	(604)
Profit on disposal of fixed assets	(28)	(8)

A review of the allocation of overheads between the distribution costs and administration expenses has resulted in an adjustment to the figures previously disclosed.

Notes (continued)**3 Directors' emoluments**

	9 months to 30 September 2004 £000	12 months to 31 December 2003 £000
Aggregate emoluments (including expense allowances and benefits in kind but excluding payments to pension schemes)	115	177

No share options were granted to any director during the period. The number of directors who are members of the pension scheme is two (2003: *two*).

4 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	9 months to 30 September 2004	12 months to 31 December 2003
Production	5	5
Administration	27	27
Sales and distribution	13	12
	45	44

The aggregate payroll cost was as follows:

	9 months to 30 September 2004 £000	12 months to 31 December 2003 £000
Wages and salaries	772	950
Social security costs	70	97
Other pension costs (note 18)	42	57
	884	1,104

Notes (continued)**5 Net interest (payable)/receivable**

	9 months to 30 September 2004 £000	12 months to 31 December 2003 £000
Bank interest receivable	7	19
	<hr/>	<hr/>
	7	19
	<hr/>	<hr/>
Interest payable:		
On overdrafts and other loans repayable within five years	(21)	(11)
To suppliers	(4)	(8)
In respect of hire purchase contracts	(1)	-
Others	(3)	-
	<hr/>	<hr/>
	(29)	(19)
	<hr/>	<hr/>
Net interest payable	(22)	-
	<hr/>	<hr/>

6 Taxation on profit on ordinary activities*Analysis of charge/(credit) in period*

	9 months to 30 September 2004 £000	12 months to 31 December 2003 £000
<i>UK Corporation Tax</i>		
Current tax on income for the period	60	60
Adjustment in respect of prior year	5	(39)
	<hr/>	<hr/>
Total current tax	65	21
	<hr/>	<hr/>
Deferred tax (see note 14)	13	(41)
	<hr/>	<hr/>
	78	(20)
	<hr/>	<hr/>

Notes (continued)**6 Taxation (continued)***Factors affecting the tax charge for the current period*

The current tax charge for the period is lower (2003: lower) than the standard rate of corporation tax in the UK (30%, 2003: 30%). The differences are explained below:

	9 months to 30 September 2004 £000	12 months to 31 December 2003 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	289	853
	<hr/>	<hr/>
Current tax at 30% (2003: 30 %)	87	256
<i>Effects of:</i>		
Expenses not deductible for tax purposes	4	4
Capital allowances in excess of depreciation	(14)	(17)
Origination/reversal of timing differences	(8)	(183)
Adjustment in respect of previous years	5	(39)
Marginal relief	(9)	-
	<hr/>	<hr/>
Total current tax charge	65	21
	<hr/>	<hr/>

7 Dividends

	9 months to 30 September 2004 £000	12 months to 31 December 2003 £000
Dividends paid (2003: £11.52 per share)	-	1,728
Dividend proposed at 41p per share (2003: 50p per share)	61	75
	<hr/>	<hr/>
	61	1,803
	<hr/>	<hr/>

Notes (continued)**8 Tangible fixed assets****Group and company**

	Leasehold improvements	Plant and machinery	Motor vehicles, fixtures, fittings, and equipment	Total
	£000	£000	£000	£000
Cost or valuation				
At beginning of period	6	182	562	750
Additions	1	38	6	45
Disposals	-	(35)	(2)	(37)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	7	185	566	758
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of period	1	174	507	682
Disposals	-	(35)	-	(35)
Charge for the period	1	6	14	21
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	2	145	521	668
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 September 2004	5	40	45	90
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	5	8	55	68
	<hr/>	<hr/>	<hr/>	<hr/>

Included in the total net book value of plant and machinery is £33,000 (2003: £nil) in respect of an asset held under a hire purchase contract. Depreciation for the period on this asset was £4,000 (2003: £nil).

Notes (continued)**9 Investments****Company**Shares in group
undertakings
£000**Cost**

At 1 January 2004 and 30 September 2004

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	Dormant	Ordinary 100%
WestMac Limited	England	Dormant	Ordinary 100%

During the period two dormant subsidiary companies, Shellglade Advertising Limited and Watveare Limited, have been dissolved.

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**Group and company**

30 September 2004 £000	31 December 2003 £000
Goods for resale	2,284
	2,197

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

11 Debtors**Group and company**

30 September 2004 £000	31 December 2003 £000
Trade debtors	1,264
Deferred tax asset (see note 14)	28
Other debtors	86
Prepayments and accrued income	52
	1,430
	1,144

Notes (continued)**12 Creditors: Amounts falling due within one year**

	Group		Company	
	30 September	31 December	30 September	31 December
	2004	2003	2004	2003
	£000	£000	£000	£000
Trade creditors	817	981	817	981
Bills of exchange payable	358	100	358	100
Amounts due to subsidiary undertakings	-	-	313	313
Corporation tax	60	60	60	60
Indirect tax and social security liabilities	435	322	435	322
Other creditors	8	4	8	4
Proposed dividend	61	75	61	75
Accruals	592	767	592	767
Obligations under hire purchase contracts	11	-	11	-
	<u>2,342</u>	<u>2,309</u>	<u>2,655</u>	<u>2,622</u>

13 Creditors: Amounts falling due after more than one year**Group and company**

	30 September	31 December
	2004	2003
	£000	£000
Obligations under hire purchase contracts	17	-

The maturity of obligations under hire purchase contracts is as follows:

	30 September	31 December
	2004	2003
	£000	£000
Within one year	11	-
In the second to fifth years	17	-
Over five years	-	-
	<u>28</u>	<u>-</u>

14 Deferred taxation assets**Group and company**

The elements of the deferred taxation assets are as follows:

	30 September	31 December
	2004	2003
	£000	£000
Difference between accumulated depreciation/amortisation and capital allowances	(16)	(24)
Other timing differences	(12)	(17)
	<u>(28)</u>	<u>(41)</u>

Notes (continued)**15 Called up share capital**

	30 September 2004 £000	31 December 2003 £000
<i>Authorised:</i>		
150,000 ordinary shares of 20p	30	30
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
150,000 ordinary shares of 20p	30	30
	<hr/>	<hr/>

16 Reserves

	Group and company	
	30 September 2004 £000	31 December 2003 £000
Profit and loss account		
At beginning of period	1,928	2,858
Profit for the period	211	873
Dividends	(61)	(1,803)
	<hr/>	<hr/>
At end of period	2,078	1,928
	<hr/>	<hr/>

17 Reconciliation of movements in shareholders' funds

Group and company	30 September 2004 £000	31 December 2003 £000
Profit for the financial period	211	873
Dividends	(61)	(1,803)
	<hr/>	<hr/>
Net increase/(reduction) in shareholders' funds	150	(930)
Opening shareholders' funds	1,958	2,888
	<hr/>	<hr/>
Closing shareholders' funds	2,108	1,958
	<hr/>	<hr/>

18 Pension costs

Contributions payable in respect of the Land Machinery Limited personal pension scheme were £42,000 (*Year ended 31 December 2003: £35,000*). Contributions amounting to £8,000 (*2003: £7,000*) were payable to the scheme and are included in creditors.

Contributions payable in respect of the Dutton-Forshaw Group Pension Plans were £nil (*Year ended 31 December 2003: £22,000*).

Notes (continued)**19 Capital commitments****Group and company**

Capital commitments at the end of the financial period for which no provision has been made, are as follows:

	30 September 2004 £000	31 December 2003 £000
Authorised by the directors and contracted for	-	40

20 Operating leases**Group and company**

Annual commitments under non-cancellable operating leases are as follows:

	30 September 2004		31 December 2003	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	19	-	26
In the second to fifth years inclusive	84	46	84	50
	<u>84</u>	<u>65</u>	<u>84</u>	<u>76</u>

21 Analysis of cash flows

	30 September 2004		31 December 2003	
	£000	£000	£000	£000
Returns on investment and servicing of finance				
Interest received	7		19	
Interest paid	(17)		(19)	
Hire purchase interest paid	(1)		-	
	<u></u>	<u>(11)</u>	<u></u>	<u>-</u>
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(8)		(48)	
Sale of tangible fixed assets	30		9	
	<u></u>	<u>22</u>	<u></u>	<u>(39)</u>

Notes (continued)**22 Reconciliation of net cash flow**

	30 September 2004 £000	31 December 2003 £000
Opening cash at bank and in hand	858	718
Movement in cash resources per cash flow statement	(195)	140
Closing cash at bank and in hand	<u>663</u>	<u>858</u>

23 Reconciliation of net debt

	At 1 January 2004 £000	Cash flow £000	Other movement £000	At 30 September 2004 £000
Cash at bank and in hand	858	(195)	-	663
Hire purchase	-	9	(37)	(28)
Total	<u>858</u>	<u>(186)</u>	<u>(37)</u>	<u>635</u>

24 Related party disclosures

The group had the following transactions with IAM Agricultural Machinery Ltd

	9 months 30 September 2004 £000	12 months 31 December 2003 £000
Sales		
IAM Agricultural Machinery Limited	60	84
Purchases		
IAM Agricultural Machinery Limited	39	5
Amounts owed to Land Machinery at the period end		
IAM Agricultural Machinery Limited	15	40

During the period approximately 18 days (*Year ended 31 December 2003: 24 days*) work was carried out by Land Machinery Limited's I.T. Manager for IAM Agricultural Machinery Limited. There was no charge for this service.

DE Jones is the managing director and majority shareholder of IAM Agricultural Machinery Limited.