Land Machinery Limited

Directors' report and consolidated financial statements

Registered number 447678

31 December 2003

Contents

Directors' report

The directors of Land Machinery Limited present their annual report and the audited financial statements for the year ended 31 December 2003.

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.

On 27 March 2003 the company left the Dutton-Forshaw group following a successful management buy-out.

The year under review saw a recovery in farm incomes and the company's turnover rose through a combination of increased market activity and success with recently introduced additional products.

The outlook for 2004 is for a continuing slow improvement in market conditions.

Company results and dividends

The financial statements for the year ended 31 December 2003 show an operating profit of £853,000 *(2002: £470,000)* on turnover of £9,322,000 *(2002: £8,563,000)*. This operating profit includes £604,000 relating to an exceptional release of pension provision *(2002: an exceptional profit of £229,000 arose on the disposal of a property)*. There is a profit on ordinary activities after taxation for the year of £873,000 *(2002: £505,000)*.

A dividend of £1,728,000 *(2002: £nil)* was paid during the year and the directors propose a further dividend of £75,000 and a transfer from reserves of £930,000 *(2002: transfer to reserves of £505,000)*. 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. Unless otherwise stated, all directors served throughout the year. The directors who held office at the end of the financial year had the following interests in the 20p ordinary shares of the company according to the register of directors' interests:

		Interest at end of year	Interest at start of year or date of appointment
DE Jones	(Managing Director)	108,750	-
SM Metcalfe		33,750	-
RJ Phillimore	(appointed 18 March 2003)	7,500	-

CDE Cameron and JR Robinson, who both served during the year, resigned on 27 March 2003. Mr J Barker, who served during the year, retired on 30 April 2003. No director had at any time during the year 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 23 to the financial statements.

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

18TH March 2004

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

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 31 December 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

24 March 2004

Consolidated profit and loss account
for the year ended 31 December 2003

	Note	2003 £000	2002 £000
Turnover	*1*	**9,322**	8,563
Cost of sales		**(7,058)**	(6,383)
Gross profit		**2,264**	2,180
Distribution costs		**(837)**	(1,274)
Administration expenses		**(574)**	(436)
Operating profit	*2*		
Operating profit before exceptionals		**249**	297
Exceptional operating income		***604***	*173*
		853	470
Interest receivable	*5*	**19**	139
Interest payable and similar charges	*5*	**(19)**	(25)
Profit on ordinary activities before taxation		**853**	584
Taxation on profit on ordinary activities	*6*	**20**	(79)
Profit on ordinary activities after taxation		**873**	505
Dividends	*7*	**(1,803)**	-
Profit transferred (from) to reserves	*16*	**(930)**	505

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

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 year.

All items derive from continuing operations.

Balance sheets
at 31 December 2003

	Note	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Fixed assets					
Tangible assets	*8*	**68**	48	**68**	48
Investments	*9*	**-**	-	**313**	313
		68	48	**381**	361
Current assets					
Stocks	*10*	**2,197**	1,388	**2,197**	1,388
Debtors	*11*	**1,144**	2,982	**1,144**	2,982
Cash at bank and in hand		**858**	718	**858**	718
		4,199	5,088	**4,199**	5,088
Creditors: Amounts falling due within one year	*12*	**(2,309)**	(1,684)	**(2,622)**	(1,997)
Net current assets		**1,890**	3,404	**1,577**	3,091
Total assets less current liabilities		**1,958**	3,452	**1,958**	3,452
Creditors: Amounts falling due after more than one year	*13*	**-**	(564)	**-**	(564)
Net assets		**1,958**	2,888	**1,958**	2,888
Capital and reserves					
Called up share capital	*15*	**30**	30	**30**	30
Profit and loss account	*16*	**1,928**	2,858	**1,928**	2,858
Equity shareholders' funds		**1,958**	2,888	**1,958**	2,888

These financial statements were approved by the board of directors on 18th March 2004 and were signed on its behalf by:

DE Jones
Director

SM Metcalfe
Director

Consolidated cash flow statement

for the year ended 31 December 2003

	Note	2003 £000	2002 £000
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit		**853**	470
Depreciation charges		**27**	37
Profit on sale of fixed assets		**(8)**	(231)
Increase in stocks		**(809)**	(217)
(Increase)/decrease in debtors		**(321)**	244
Increase/ (decrease) in creditors		**5**	(227)
Net cash (outflow)/inflow from operating activities		**(253)**	76
Cash flow statement			
Cash flow from operating activities		(253)	76
Returns on investments and servicing of finance	*21*	-	114
Taxation		(40)	-
Capital expenditure and financial investment	*21*	(39)	704
Equity dividends paid		(1,728)	-
Management of liquid resources – Short term loan to parent company		2,200	(2,200)
Increase/(Decrease) in cash in the period	*22*	**140**	(1,306)

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 31 December 2003. 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

In March 2003 the group ceased to be a participating employer in the Dutton-Forshaw Group Pension Plan. Land Machinery Limited now 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 both schemes in respect of the accounting period.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit for the year 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

Assets acquired under finance leases 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

	2003	2002
	£000	£000
Operating profit is stated after charging/(crediting)		
Operating lease charges:		
Land and buildings	**47**	34
Motor vehicles, plant and machinery	**103**	99
Depreciation of tangible fixed assets – owned	**26**	37
- leased	**1**	-
Auditors' remuneration:		
Group - audit fees	**11**	14
Exceptional items:		
Reorganisation and redundancy costs	**-**	56
Release of pension provision (see note 4)	**(604)**	-
Profit on disposal of freehold property	**-**	(229)
Profit on disposal of fixed assets	**(8)**	(2)

Notes *(continued)*

3 Directors' emoluments

	2003 £000	2002 £000
Aggregate emoluments (including expense allowances and benefits in kind but excluding payments to pension schemes)	**177**	181

No share options were granted to any director during the year. The number of directors who are members of the pension scheme is two *(2002: four directors were members of the Dutton-Forshaw Group Pension Plan).*

4 Staff numbers and costs

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

	Number of employees 2003	2002
Production	**5**	6
Administration	**27**	31
Sales and distribution	**12**	12
	44	49

The aggregate payroll cost was as follows:

	2003 £000	2002 £000
Wages and salaries	**950**	980
Social security costs	**97**	74
Other pension costs (note 18)	**57**	53
	1,104	1,107

The company has ceased to be a participating employer in the Dutton-Forshaw Group Pension Plan and consequently included a credit of £604,000 in the results for the year, being the excess of the accumulated pension cost over the amount funded at 31 December 2002. This provision release is excluded from the figures detailed above.

Notes *(continued)*

5 Net interest receivable / (payable)

	2003	2002
	£000	£000
Bank interest receivable	**19**	130
Parent company interest receivable	**-**	9
	19	139
Interest payable:		
On overdrafts and other loans repayable within five years	**(11)**	(21)
To suppliers	**(8)**	(4)
	(19)	(25)
Net interest receivable	**-**	114

6 Taxation on profit on ordinary activities

Analysis of (credit)/ charge in period	**2003**	2002
	£000	£000
UK Corporation Tax		
Current tax on income for the period	**60**	79
Adjustment in respect of prior year	**(39)**	-
Total current tax	**21**	79
Deferred tax (see note 14)	**(41)**	-
	(20)	79

Notes *(continued)*

6 Taxation *(continued)*

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2002: lower) than the standard rate of corporation tax in the UK (30%, 2002: 30%). The differences are explained below:

	2003	2002
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	**853**	584
Current tax at 30% (2002: 30 %)	**256**	175
Effects of:		
Expenses not deductible for tax purposes	**4**	6
Capital allowances in excess of depreciation	**(17)**	(3)
Utilisation of tax losses surrendered by other group companies	**-**	(81)
Origination/reversal of timing differences	**(183)**	26
Income not taxable	**-**	(44)
Adjustment in respect of previous years	**(39)**	-
Total current tax charge (see above)	**21**	79

Factors that may affect future tax charges

The company is no longer part of a group with many active subsidiaries and may benefit from the small company rate of taxation in future years.

7 Dividends

	2003	2002
	£000	£000
Dividends paid at £11.52 per share *(2002: £nil per share)*	**1,728**	-
Dividend proposed at 50p per share	**75**	-
	1,803	-

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 year	-	183	657	840
Additions	6	2	40	48
Disposals	-	(3)	(135)	(138)
At end of year	6	182	562	750
Depreciation				
At beginning of year	-	173	619	792
Disposals	-	(3)	(134)	(137)
Charge for the year	1	4	22	27
At end of year	1	174	507	682
Net book value				
At 31 December 2003	**5**	**8**	**55**	**68**
At 31 December 2002	-	10	38	48

Notes *(continued)*

9 *Investments*

Company

	Shares in group undertakings £000
Cost	
At 1 January 2003 and 31 December 2003	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%
Shellglade Advertising Limited	England	Dormant	Ordinary 100%
Watveare Limited	England	Dormant	Ordinary 100%
WestMac Limited	England	Dormant	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

Group and company

	2003 £000	2002 £000
Goods for resale	**2,197**	1,388

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

	2003 £000	2002 £000
Trade debtors	**948**	771
Amounts owed by parent and fellow subsidiary undertakings	**-**	2,120
Deferred tax asset (see note 14)	**41**	-
Other debtors	**94**	70
Prepayments and accrued income	**61**	21
	1,144	2,982

Notes *(continued)*

12 Creditors: Amounts falling due within one year

	Group		Company	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Trade creditors	**981**	512	**981**	512
Bills of exchange payable	**100**	177	**100**	177
Amounts due to subsidiary undertakings	**-**	-	**313**	313
Corporation tax	**60**	79	**60**	79
Indirect tax and social security liabilities	**322**	93	**322**	93
Accruals	**767**	767	**767**	767
Other creditors	**4**	56	**4**	56
Proposed dividend	**75**	-	**75**	-
	2,309	1,684	**2,622**	1,997

13 Creditors: Amounts falling due after more than one year

Group and company

	2003	2002
	£000	£000
Other creditors	**-**	564

14 Deferred taxation assets

Group and company

The elements of the deferred taxation assets are as follows:

		2003	2002
		£000	£000
Difference between accumulated depreciation/amortisation and capital allowances		**(24)**	(48)
Other timing differences	- SSAP 24 pension provision	**-**	(181)
	- Other	**(17)**	(72)
Deferred tax asset		**(41)**	(301)

The asset was not recognised in the accounts in 2002 because of the level of uncertainty about the availability of suitable future profits, but following the changed ownership of the group it is now anticipated that the deferred tax asset will be recovered. Accordingly the deferred tax asset has been recognised in these accounts at the rate of 19% which is the most likely rate at which the differences are expected to reverse.

Notes *(continued)*

15 Called up share capital

	2003 £000	2002 £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

	Group and company	
	2003	2002
	£000	£000
Profit and loss account		
At beginning of year	**2,858**	2,353
Profit for the year	**873**	505
Dividends	**(1,803)**	-
At end of year	**1,928**	2,858

17 Reconciliation of movements in shareholders' funds

Group and company	**2003** ***£000***	2002 *£000*
Profit for the financial year	**873**	505
Dividends	**(1,803)**	-
Net (reduction)/increase in shareholders' funds	**(930)**	505
Opening shareholders' funds	**2,888**	2,383
Closing shareholders' funds	**1,958**	2,888

18 Pension costs

Until 27 March 2003 the company was a participating employer in the Dutton-Forshaw Group Pension Plan, a pension scheme providing benefits based on final pensionable pay. At 31 December 2002 a provision of £604,000 was included under creditors being the excess of the accumulated pension cost over the amount funded. This provision was released during the year following the company's withdrawal from this scheme.

Contributions payable in respect of the Land Machinery Limited personal pension scheme were £35,000 *(2002: £nil).*

Contributions payable in respect of the Dutton-Forshaw Group Personal Pension Plans were £22,000 *(2002: £53,000).*

Notes *(continued)*

19 Capital commitments

Group and company

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

	2003 **£000**	2002 £000
Authorised by the directors and contracted for	**40**	20

20 Operating leases

Group and company

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

	2003		2002	
	Land and buildings	**Other**	Land and buildings	Other
	£000	**£000**	£000	£000
Operating leases which expire:				
Within one year	**-**	**26**	-	9
In the second to fifth years inclusive	**84**	**50**	84	29
	84	**76**	84	38

21 Analysis of cash flows

	2003		2002	
	£000	**£000**	£000	£000
Returns on investment and servicing of finance				
Interest received	**19**		139	
Interest paid	**(19)**		(25)	
		-		114
Capital expenditure and financial investment				
Purchase of tangible fixed assets	**(48)**		-	
Sale of tangible fixed assets	**9**		704	
		(39)		704

Notes (continued)

22 Reconciliation of net cash flow

	2003 £000	2002 £000
Opening cash at bank and in hand	**718**	2,024
Movement in cash resources per cash flow statement	**140**	(1,306)
Closing cash at bank and in hand	**858**	718

There were no changes in net debt in either 2003 or 2002 other than these cash movements.

23 Related party disclosures

The group had the following transactions with entities of the Aramis UK Limited group (formerly the Dutton-Forshaw group). The following transactions took place during the year.

	2003 £000	2002 £000
Sales		
Robert Hudson (Agricultural) Limited	**-**	3
IAM Agricultural Machinery Limited	**84**	3
Purchases		
Dutton-Forshaw Motor Group Ltd	**8**	72
IAM Agricultural Machinery Limited	**5**	-
Amounts owed at the year end		
IAM Agricultural Machinery Limited	**40**	1

Robert Hudson (Agricultural) Limited, IAM Agricultural Machinery Limited and Dutton Forshaw Motor Group Limited were entities of the Aramis UK Limited Group until Land Machinery Limited left the group on 27 March 2003.

During the year approximately 24 days IT work was carried out by a Land Machinery Limited employee 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.