Dutton-Forshaw (Land Machinery) Limited

Directors' report and financial statements

Registered number 447678

For the year ended 31 December 2000

Contents

Directors' report

The directors of Dutton-Forshaw (Land Machinery) Limited present their annual report and the audited financial statements for the year ended 31 December 2000.

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 two agents, 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 financial statements for the year ended 31 December 2000 show an operating profit of £56,000 *(15 months ended 31 December 1999 loss of: £113,000)* on turnover of £9,696,000 *(15 months ended 31 December 1999: £11,590,000).* There is a profit on ordinary activities after taxation for the year of £83,000 *(15 months ended 31 December 1999 loss of: £83,000).*

A dividend of £37,000 *(15 months ended 31 December 1999: £195,000)* was paid during the year and the directors propose a transfer to reserves of £46,000 *(15 months ended 31 December 1999 transfer from reserves: £277,000).* 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 year, except where indicated otherwise.

J Barker	
CDE Cameron	
DE Jones	(Managing Director)
AE Manning	
SM Metcalfe	
JR Robinson	(Chairman)

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

Mr K A Tuck, who served during the year, retired on 31 August 2000.

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 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.

No other directors at the end of the financial period had any disclosable interest in the shares in group companies.

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)*

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

In accordance with Section 384 of the 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

27 March 2001

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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

27 March 2001

Profit and loss account
for the year ended 31 December 2000

	Note	Year ended 31 December 2000 £000	15 months ended 31 December 1999 £000
Turnover	*1*	**9,696**	11,590
Cost of sales		**(7,186)**	(8,640)
Gross profit		**2,510**	2,950
Distribution costs		**(1,644)**	(2,023)
Administration expenses		**(810)**	(1,040)
Operating profit/(loss)	*2*		
Operating profit/(loss) before exceptionals		**131**	(113)
Exceptional operating costs		**(75)**	-
		56	(113)
Interest receivable	*5*	**77**	102
Interest payable and similar charges	*5*	**(50)**	(72)
Profit /(loss) on ordinary activities before taxation		**83**	(83)
Taxation on profit/(loss) on ordinary activities	*6*	**-**	1
Profit /(loss) on ordinary activities after taxation		**83**	(82)
Dividends	*7*	**(37)**	(195)
Retained profit/(loss) for the period	*16*	**46**	(277)

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 2000

	Note	**2000** **£000**	1999 £000
Fixed assets			
Tangible assets	*8*	**628**	677
Investments	*9*	**313**	313
		941	990
Current assets			
Stocks	*10*	**2,118**	2,029
Debtors	*11*	**1,750**	1,658
Cash at bank and in hand		**568**	610
		4,436	4,297
Creditors: Amounts falling due within one year	*12*	**(2,427)**	(2,384)
Net current assets		**2,009**	1,913
Total assets less current liabilities		**2,950**	2,903
Creditors: Amounts falling due after more than one year	*13*	**(640)**	(639)
Net assets		**2,310**	2,264
Capital and reserves			
Called up share capital	*15*	**30**	30
Revaluation reserve	*16*	**-**	1
Profit and loss account	*16*	**2,280**	2,233
Shareholders' funds		**2,310**	2,264

These financial statements were approved by the board of directors on 27 March 2001 and were signed on its behalf by:

DE Jones
Director

CDE Cameron
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2000

	Year ended 31 December 2000	15 months ended 31 December 1999
	£000	£000
Profit/(loss) profit for the financial period	**83**	(82)
Dividends	**(37)**	(195)
Net increase/(decrease) in shareholders' funds	**46**	(277)
Opening shareholders' funds	**2,264**	2,541
Closing shareholders' funds	**2,310**	2,264

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, the company's ultimate parent undertaking at 31 December 2000, 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.

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 is calculated under the liability method and is only provided where it is anticipated to be payable within the foreseeable future.

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 principal 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 profit/(loss)

	Year ended 31 December 2000	15 months ended 31 December 1999
	£000	£000
Operating profit/(loss) is stated after charging		
Operating lease charges:		
Cars, plant and machinery	**135**	185
Depreciation of tangible fixed assets - owned:	**72**	110
Auditors' remuneration:		
Audit fees	**10**	18
Non-audit fees	**1**	2
Exceptional costs		
Reorganisation and redundancy costs	**75**	-
Profit on disposal of fixed assets	**8**	7

Notes *(continued)*

3 Emoluments of the directors

	Year ended 31 December 2000	15 months ended 31 December 1999
	£000	£000
Aggregate emoluments (including expense allowances and benefit in kind but excluding payments to the defined benefit pension scheme)	**214**	225

Highest paid director

	£000	£000
Aggregate emoluments	**66**	76
Amount accrued under a defined benefit pension scheme at the end of the period	**12**	11

No share options were granted to directors during the period. The number of directors who are members of the group pension scheme is five *(31 December 1999: six).*

4 Staff numbers and costs

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

	Number of employees	
	Year ended 31 December 2000	15 months ended 31 December 1999
	61	66

The aggregate payroll cost was as follows:

	£000	£000
Wages and salaries	**1,196**	1,458
Social security costs	**89**	113
Other pension costs (note 17)	**97**	78
	1,382	1,649

Notes *(continued)*

5 Net interest receivable / (payable)

	Year ended 31 December 2000 £000	15 months ended 31 December 1999 £000
Bank interest receivable	77	102
Interest payable:		
On overdrafts and other loans repayable within five years	(24)	(33)
On bills of exchange	(26)	(39)
	(50)	(72)
Net interest receivable	27	30

6 Taxation on profit/(loss) on ordinary activities

	Year ended 31 December 2000 £000	15 months ended 31 December 1999 £000
Corporation tax - prior year adjustment	-	1

The company has taxable profits for the period which will be relieved by group relief receivable from other group companies for no consideration *(15 months ended 31 December 1999: Group relief made available for which no consideration was received)*.

7 Dividends paid

	Year ended 31 December 2000 £000	15 months ended 31 December 1999 £000
Dividends paid at £0.247 per share *(15 months ended 31 December 1999 £1.30 per share)*	37	195

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 beginning of year	599	305	924	1,828
Additions	-	-	23	23
Disposals	-	(1)	-	(1)
At end of year	599	304	947	1,850
Depreciation				
At beginning of year	108	258	785	1,151
Disposals	-	(1)	-	(1)
Charge for the year	11	14	47	72
At end of year	119	271	832	1,222
Net book value				
At 31 December 2000	**480**	**33**	**115**	**628**
At 31 December 1999	491	47	139	677

In accordance with company accounting policy no depreciation has been provided on freehold land, which at 31 December 2000 had a book value of £50,000 *(1999: £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	304	947	1,700
At 31 December 2000	**599**	**304**	**947**	**1,850**
Depreciation				
1985 valuation	31	-	-	31
Cost	88	271	832	1,191
At 31 December 2000	**119**	**271**	**832**	**1,222**

Notes *(continued)*

8 Tangible fixed assets *(continued)*

Historical cost of revalued assets

	Freehold land and buildings £000
Cost	134
Depreciation	(26)
Net historical book value at 31 December 2000	108
Cost	134
Depreciation	(25)
Net historical book value at 31 December 1999	109

9 Investments

	Shares in group undertakings £000
Cost	
At 1 January 2000 and 31 December 2000	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%
Shellglade Advertising Limited	England	Advertising agency	Ordinary 100%
Watveare Limited	England	Dormant	Ordinary 100%
WestMac Limited	England	Agricultural machinery distribution	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

	2000 £000	1999 £000
Goods for resale	**2,118**	2,029

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

	2000 £000	1999 £000
Trade debtors	**1,535**	1,440
Amounts owed by parent and fellow subsidiary undertakings	**37**	22
Other debtors	**153**	134
Prepayments and accrued income	**25**	62
	1,750	1,658

12 Creditors: Amounts falling due within one year

	2000 £000	1999 £000
Trade creditors	**1,004**	810
Bills of exchange	**141**	360
Amounts due to parent and fellow subsidiary undertakings	**-**	43
Amounts due to subsidiary undertakings	**313**	313
Indirect tax and social security liabilities	**122**	116
Accruals	**797**	672
Other creditors	**50**	70
	2,427	2,384

13 Creditors: Amounts falling due after more than one year

	2000 £000	1999 £000
Other creditors *(note 17)*	**640**	639

14 Provisions for liabilities and charges - deferred taxation

No provision has been made for deferred taxation at 31 December 2000 *(1999: £Nil).*

The full potential liability/(asset) for deferred taxation at 30% *(1999: 30%)* can be analysed as follows:

	2000 £000	1999 £000
Estimated total contingent liability/(asset):		
Fixed assets	**65**	60
Other timing differences	**(211)**	(211)
	(146)	(151)

Notes *(continued)*

15 Called up share capital

	2000	1999
	£000	£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	Profit and loss account
	£000	£000
At 1 January 2000	1	2,233
Retained profit for the year	-	46
Transfers	(1)	1
At 31 December 2000	**-**	**2,280**

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 £97,000 *(15 months ended 31 December 1999: £78,000)*.

A provision of £673,000 *(1999: £703,000)* is included under creditors being the excess of the accumulated pension cost over the amount funded.

18 Capital commitments

	2000	1999
	£000	£000
Authorised by the directors but not contracted for	**2**	11

Notes *(continued)*

19 Operating leases

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

	2000 £000	1999 £000
Operating leases which expire:		
Within one year	**28**	42
Between one and five years	**43**	83
	71	125

20 Contingent liabilities

	2000 £000	1999 £000
Guarantee in respect of fellow subsidiary undertaking banking facilities	**14,899**	19,139

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 group or investees of that group.

22 Ultimate parent undertaking

The company's ultimate parent undertaking is The Dutton-Forshaw Group 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.