



WM MCKINNON & COMPANY LIMITED

Report and Financial Statements

30 September 1996

**Deloitte & Touche
66 Queen's Road
Aberdeen
AB15 4YE**

JS





REPORT AND FINANCIAL STATEMENTS 1996

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REPORT AND FINANCIAL STATEMENTS 1996

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

W A Cameron
H O Cameron

SECRETARY

Peterkins

REGISTERED OFFICE

100 Union Street
Aberdeen
AB9 1QQ

BANKERS

Barclays Bank
Rubislaw Terrace
Aberdeen

SOLICITORS

Peterkins
Advocates
100 Union Street
Aberdeen
AB9 1QQ

AUDITORS

Deloitte & Touche
Chartered Accountants
66 Queen's Road
Aberdeen
AB15 4YE

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 1996.

ACTIVITIES

The company's principal activity is the provision of plantation machinery.

RESULTS AND FUTURE DEVELOPMENTS

The company made a profit after tax of £11,062 (1995: loss £54,069). The directors do consider however that trading conditions are improving and that the long term prospects are more encouraging.

DIVIDENDS AND TRANSFERS TO RESERVES

A dividend was paid during the year of £4,012 (1995: £12,475). No further dividend is proposed and the profit for the financial year after tax and dividends of £7,050 (1995: loss £66,544) has been transferred to reserves.

FINANCIAL POSITION

The financial position of the company as shown on page 6, is considered to be satisfactory.

DIRECTORS

The present membership of the board is set out on page 1. All directors served throughout the year.

The directors' interests in the ordinary and preference shares of the company at 30 September 1996 and 1 October 1995 as defined by the Companies Act 1985 was as follows:

	£1 Ordinary shares	
	1996	1995
	No	No
W A Cameron	33,784	33,784
H O Cameron	-	-
B Craigmiles (resigned 4 October 1996)	-	-
	£1 Preference Shares	
W A Cameron	15,000	15,000

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

DIRECTORS' REPORT (continued)

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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors
and signed on behalf of the Board



WA Cameron

Director

23 June 1997



Chartered Accountants

Deloitte & Touche
66 Queen's Road
Aberdeen AB15 4YE

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AUDITORS' REPORT TO THE MEMBERS OF WM MCKINNON & COMPANY LIMITED

We have audited the financial statements on pages 5 to 17 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and
Registered Auditors

23 June 1997

PROFIT AND LOSS ACCOUNT
Year ended 30 September 1996

	Note	£	1996 £	1995 £
TURNOVER: continuing operations	2		551,569	704,103
Cost of sales			275,634	445,431
Gross profit			<u>275,935</u>	<u>258,672</u>
Distribution costs		41,628		93,269
Administrative expenses		<u>217,130</u>		<u>224,231</u>
			<u>258,758</u>	<u>317,500</u>
OPERATING PROFIT/(LOSS): continuing operations	4		17,177	(58,828)
Interest receivable and similar income		2,325		3,184
Interest payable and similar charges	5	<u>(7,870)</u>		<u>(3,515)</u>
			<u>(5,545)</u>	<u>(331)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			11,632	(59,159)
Tax on profit/(loss) on ordinary activities	6		<u>570</u>	<u>(5,090)</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR			11,062	(54,069)
Dividends	7		<u>4,012</u>	<u>12,475</u>
			<u>7,050</u>	<u>(66,544)</u>
Retained profit brought forward			<u>306,564</u>	<u>373,108</u>
Retained profit carried forward			<u><u>313,614</u></u>	<u><u>306,564</u></u>

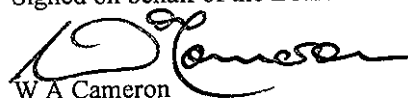
There are no recognised gains or losses for the current financial year and the preceding financial year other than as stated in the profit and loss account.

BALANCE SHEET
30 September 1996

	Note	1996 £	1995 £
FIXED ASSETS			
Intangible assets	8	-	17,500
Tangible assets	9	216,317	245,341
Investments	10	4,092	4,092
		<u>220,409</u>	<u>266,933</u>
CURRENT ASSETS			
Stocks	11	214,449	30,574
Debtors	12	132,276	99,014
Cash at bank and in hand		-	68,224
		<u>346,725</u>	<u>197,812</u>
CREDITORS: amounts falling due within one year	13	202,792	100,392
		<u>143,933</u>	<u>97,420</u>
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		364,342	364,353
CREDITORS: amounts falling due after more than one year	14	(1,944)	(9,005)
		<u>362,398</u>	<u>355,348</u>
CAPITAL AND RESERVES			
Called up share capital	17	48,784	48,784
Profit and loss account		313,614	306,564
		<u>362,398</u>	<u>355,348</u>
SHAREHOLDERS' FUNDS			
Attributable to equity shareholders		347,398	-
Attributable to non-equity shareholders	18	15,000	355,348

These financial statements were approved by the Board of Directors on 23 June 1997

Signed on behalf of the Board of Directors


W A Cameron

Director

NOTES TO THE ACCOUNTS
Year ended 30 September 1996

1 ACCOUNTING POLICIES

The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Intangible fixed assets

Purchased goodwill is amortised over five years.

Tangible fixed assets

Depreciation is not provided on freehold land. On other assets it is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Motor vehicles	25% per annum
Equipment and computer	20% per annum
Plant and machinery	20% per annum
Freehold property	2% per annum

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads.

Pension costs

Pension costs charged to the profit and loss account represent amounts payable to one independently administered fund.

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their useful lives. The finance charges are allocated over the period of the lease rentals in proportion to the capital element outstanding.

NOTES TO THE ACCOUNTS
Year ended 30 September 1996

2 TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax.

The turnover and pre-tax profit, which arise in United Kingdom and overseas, are attributable to the company's principal activity.

3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1996 £	1995 £
Directors' emoluments		
Fees	-	-
Other emoluments	78,946	77,858
Benefits in kind	17,013	14,920
	<u>95,959</u>	<u>92,778</u>
 Remuneration of the Chairman	-	56,957
Remuneration of the highest paid director	60,154	-
	<u>1996</u> No	<u>1995</u> No
 Scale of directors' remuneration, including Chairman and highest paid director		
£0 - £5,000	1	1
£25,001 - £30,000	1	1
£55,001 - £60,000	-	1
£60,001 - £65,000	1	-
	<u>1996</u> No	<u>1995</u> No
 Average number of persons employed		
Production	5	5
Administration	4	4
	<u>9</u>	<u>9</u>

NOTES TO THE ACCOUNTS
Year ended 30 September 1996

3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	1996 £	1995 £
Staff costs during the year (including directors)		
Wages and salaries	164,972	139,868
Social security costs	16,069	13,759
Pension costs	9,225	13,450
	<u>190,266</u>	<u>167,077</u>

4 OPERATING PROFIT/(LOSS)

	1996 £	1995 £
Operating profit/(loss) is after charging:		
Depreciation and amortisation		
Owned assets	48,524	64,496
Leased assets	-	5,441
Auditors' remuneration	3,100	2,900
	<u>51,624</u>	<u>72,837</u>
and after crediting:		
Profit on disposal of fixed assets	-	4,995
	<u>-</u>	<u>4,995</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	1996 £	1995 £
Pension loan interest	2,000	-
Bank loans, overdrafts and other loans repayable within five years	4,681	2,292
Finance leases and hire purchase contracts	1,189	844
Interest paid on overdue tax	-	379
	<u>7,870</u>	<u>3,515</u>

NOTES TO THE ACCOUNTS
Year ended 30 September 1996

6 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	1996 £	1995 £
United Kingdom corporation tax at 25% (1995 - 25%) based on taxable profit for the year	570	-
Corporation tax repayable	-	(5,090)
	<u>570</u>	<u>(5,090)</u>

The tax charge for the current year is disproportionately low in relation to the company's profit on ordinary activities before taxation due to trading losses brought forward and to expense items which are disallowable for tax purposes.

There are trading losses not utilised against deferred tax and carried forward to be utilised against future profits of approximately £34,929 (1995: £77,785). The potential deferred tax asset arising thereon is disclosed at Note 16.

7 DIVIDENDS

	1996 £	1995 £
Preference shares		
Interim paid nil (1995 - £0.50 per Preference share)	-	7,500
"B" Ordinary shares		
Interim paid - £0.25 per "B" Ordinary share (1995 - £0.31)	4,012	4,975
Analysis of dividends:		
Equity shareholders	4,012	4,975
Non-equity shareholders	-	7,500
	<u>4,012</u>	<u>12,475</u>

NOTES TO THE ACCOUNTS
Year ended 30 September 1996

8 INTANGIBLE FIXED ASSETS

	Goodwill £
Cost or valuation	
At 1 October 1995 and 30 September 1996	150,000
Accumulated depreciation	
At 1 October 1995	132,500
Amortisation in year	17,500
At 30 September 1996	150,000
Net book value	
At 30 September 1996	-
At 30 September 1995	17,500

NOTES TO THE ACCOUNTS
Year ended 30 September 1996

9 TANGIBLE FIXED ASSETS

	Freehold land and buildings	Plant and machinery	Motor vehicles	Equipment and Computer	Total
	£	£	£	£	£
Cost					
At 1 October 1995	212,650	130,000	69,000	16,867	428,517
Additions in year	-	2,000	-	-	2,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 1996	212,650	132,000	69,000	16,867	430,517
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation					
At 1 October 1995	12,754	114,836	41,572	14,014	183,176
Charge in year	4,248	15,564	8,359	2,853	31,024
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 1996	17,002	130,400	49,931	16,867	214,200
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 30 September 1996	195,648	1,600	19,069	-	216,317
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 1995	199,896	15,164	27,428	2,853	245,341
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of the company's tangible fixed assets includes £19,069 (1995: £27,428) in respect of assets held under hire purchase contracts.

10 INVESTMENTS HELD AS FIXED ASSETS

	Shares (Unquoted) £
Cost	
At 1 October 1995 and 30 September 1996	4,092
	<hr/>

NOTES TO THE ACCOUNTS
Year ended 30 September 1996

10 INVESTMENTS HELD AS FIXED ASSETS (continued)

Details of the associated undertaking are as follows:

Name	Activity	Country of Registration	Portion of Ordinary Shares Held
McKinnon India Private Limited	Manufacturers of plantation machinery	India	49%

The total of McKinnon India Private Limited's share capital and reserves as at 31 March 1996 showed a surplus of Rs 456,765 (approx £9,135) [1995: Rs 412,319 (approx £8,250)]. Its profit for the financial period was Rs 56,765 (approx £1,135) [1995: Rs 12,319 (approx £250)].

11 STOCKS

	1996 £	1995 £
Stocks	49,197	30,574
Work in progress	165,252	-
	<u>214,449</u>	<u>30,574</u>

12 DEBTORS

	1996 £	1995 £
Trade debtors	111,991	36,030
Amounts owed by undertakings in which the company has a participating interest	10,301	40,888
Other debtors and prepayments	9,446	13,887
Corporation tax repayable	-	8,209
Prepayments and accrued income	538	-
	<u>132,276</u>	<u>99,014</u>

All amounts are due within one year.

NOTES TO THE ACCOUNTS
Year ended 30 September 1996

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £	1995 £
Bank loans and overdrafts	55,849	1
Obligations under finance leases and hire purchase contracts	7,061	7,400
Trade creditors	24,237	48,407
Corporation tax	1,108	3,119
Other taxes and social security	4,519	6,427
Other creditors	85,700	-
Accruals and deferred income	24,318	35,038
	<u>202,792</u>	<u>100,392</u>

The bank hold a bond and floating charge over the assets of the company in security of the bank overdraft.

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1996 £	1995 £
Obligations under finance leases and hire purchase contracts	1,944	9,005
	<u>1,944</u>	<u>9,005</u>

The hire purchase contracts are secured over the assets to which they relate.

15 BORROWINGS

	1996 £	1995 £
Analysis of loan repayments:		
Other loans including finance leases and hire purchase contracts net of future finance charges		
Within one year or on demand	7,061	7,400
Between one and two years	1,944	7,061
Between two and five years	-	1,944
	<u>9,005</u>	<u>16,405</u>

NOTES TO THE ACCOUNTS
Year ended 30 September 1996

16 PROVISIONS FOR LIABILITIES AND CHARGES

The amounts of deferred taxation provided and unprovided in the accounts are:

	Provided 1996 £	Provided 1995 £	Not Provided 1996 £	Not Provided 1995 £
Depreciation in excess of capital allowances	-	-	(16,860)	(17,417)
Losses	-	-	(8,033)	(19,446)
	<u>-</u>	<u>-</u>	<u>(24,893)</u>	<u>(36,863)</u>

No provision for deferred taxation has been provided on the chargeable gains deferred under the roll - over relief provisions. Should the deferred gain crystallise the additional tax payable would be approximately £41,800 (1995: £45,000).

17 CALLED UP SHARE CAPITAL

	1996 £	1995 £
Authorised		
15,000 Preference shares of £1.00 each	15,000	15,000
17,737 "A" Ordinary share of £1.00 each	17,737	17,737
16,047 "B" Ordinary share of £1.00 each	16,047	16,047
16,216 "C" Ordinary share of £1.00 each	16,216	16,216
	<u>65,000</u>	<u>65,000</u>
Called up, allotted and fully paid		
15,000 Preference shares of £1.00 each	15,000	15,000
17,737 "A" Ordinary shares of £1.00 each	17,737	17,737
16,047 "B" Ordinary shares of £1.00 each	16,047	16,047
	<u>48,784</u>	<u>48,784</u>

The dividend rights of the preference shares are 50% non cumulative.

NOTES TO THE ACCOUNTS
Year ended 30 September 1996

18 AMOUNTS ATTRIBUTABLE TO NON-EQUITY SHAREHOLDERS

The Articles of Association of the company stipulate that on a return of assets on liquidation or otherwise, the assets of the company remaining after the payment of its liabilities shall be applied firstly, in paying to the holders of the preference shares in aggregate the sum of £769,124 being equal to the net asset value of the company as disclosed in the statutory audited balance sheet of the company as at 30 September 1990; and, secondly, the balance of such assets shall be distributed amongst the ordinary shareholders.

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
Profit/(loss) attributable to members of the company	11,062	(54,069)
Dividends	(4,012)	(12,475)
	<hr/>	<hr/>
Net addition/(reduction) to shareholders' funds	7,050	(66,544)
Opening shareholders' funds	355,348	421,892
	<hr/>	<hr/>
Closing shareholders' funds	362,398	355,348
	<hr/>	<hr/>

20 FINANCIAL COMMITMENTS

Operating lease commitments

At 30 September 1996 the company was committed to making the following payments during the next year in respect of operating leases:

	Other £
Leases which expire:	
Within one year	1,689
Within two to five years	224
	<hr/>
	1,913
	<hr/>

NOTES TO THE ACCOUNTS
Year ended 30 September 1996

21 PENSION SCHEMES

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those in the company in an independently administered fund.

The pension costs charged amounted to £9,225 (1995: £13,450). There were no outstanding amounts payable at the year end.

22 TRANSACTIONS WITH RELATED PARTIES

During the year the company made sales totalling £941 (1995: £4,260) to McKinnon India Private Limited and purchases totalling £98,442 (1995: £10,280) from that company. Wm KcKinnon & Co Limited holds a significant interest in that company as discussed in note 10.