

A & J BOWEN & CO LIMITED

Report and Financial Statements

30 November 1999

**Deloitte & Touche
2 Queens Terrace
Aberdeen
AB10 1XL**



REPORT AND FINANCIAL STATEMENTS 1999

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REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C A Nicol
A W Sinclair
P A Hart
G R Lovie

SECRETARY

P A Hart

REGISTERED OFFICE

Harvester House
Markinch
Fife
KY7 6JW

BANKERS

Bank of Scotland plc
39 Albyn Place
Aberdeen
AB1 1YN

The Royal Bank of Scotland plc
3 Falkland Gate
Glenrothes
Fife
KY7 5NS

SOLICITORS

Paull & Williamsons
Investment House
6 Union Row
Aberdeen
AB10 1DQ

AUDITORS

Deloitte & Touche
2 Queens Terrace
Aberdeen
AB10 1XL

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 November 1999.

ACTIVITIES

The principal activity of the company is the sale and servicing of agricultural machinery.

RESULTS, REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The loss for the year after taxation amounted to £57,951 (1998: £265,654). The directors do not propose to pay a dividend (1998: £Nil) and recommend that the loss for the year is transferred against reserves. The directors are disappointed with the results for the year which were caused by continuing difficult trading conditions. They intend to continue to look for appropriate business opportunities and are confident of the future prospects of the company.

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1.

The directors are also directors of the parent company, SBF Agrico Limited. Their interests in the share capital of SBF Agrico are disclosed in that company's financial statements.

On 17 December 1998 CE Last and AJ Balfour resigned as directors of the company and AW Sinclair and CA Nicol were appointed.

On 14 June 1999 PA Hart and GR Lovie were appointed as directors of the company.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



Director

14 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 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; and
- 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 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.

A & J BOWEN & CO LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 13 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, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 United Kingdom 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 at 30 November 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and Registered Auditors

14 March 2001

PROFIT AND LOSS ACCOUNT
Year ended 30 November 1999

| | Note | 1999 £ | Period from 11 November 1997 (date of incorporation) to 30 November 1998 £ |
|---|------|-------------|---|
| TURNOVER: continuing operations | 2 | 7,149,976 | 6,492,828 |
| Cost of sales | | (6,077,787) | (5,800,938) |
| GROSS PROFIT | | 1,072,189 | 691,890 |
| Administrative expenses | | (1,128,071) | (963,905) |
| Other operating income | | 9,413 | 117,719 |
| OPERATING LOSS: continuing operations | 3 | (46,469) | (154,296) |
| Interest payable | 4 | (11,482) | (111,358) |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (57,951) | (265,654) |
| Tax on loss on ordinary activities | 6 | - | - |
| LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR/PERIOD | | (57,951) | (265,654) |
| Retained loss brought forward | | (265,654) | - |
| Retained loss carried forward | | (323,605) | (265,654) |

There have been no recognised gains and losses attributable to the shareholders in the current and preceding financial periods other than as disclosed in the profit and loss account.

BALANCE SHEET
30 November 1999

| | Note | 1999 £ | 1998 £ |
|--|------|--------------------|--------------------|
| FIXED ASSETS | | | |
| Tangible assets | 7 | 243,721 | 261,366 |
| Investments | 8 | - | 390 |
| | | <u>243,721</u> | <u>261,756</u> |
| CURRENT ASSETS | | | |
| Stocks | 9 | 1,022,359 | 880,782 |
| Debtors | 10 | 720,757 | 903,701 |
| Cash at bank and in hand | | 8,513 | 500 |
| | | <u>1,751,629</u> | <u>1,784,983</u> |
| CREDITORS: amounts falling due within one year | 11 | <u>(2,314,647)</u> | <u>(2,269,566)</u> |
| NET CURRENT LIABILITIES | | <u>(563,018)</u> | <u>(484,583)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>(319,297)</u> | <u>(222,827)</u> |
| CREDITORS: amounts falling due after more than one year | 12 | <u>(4,306)</u> | <u>(42,825)</u> |
| NET LIABILITIES | | <u>(323,603)</u> | <u>(265,652)</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 13 | 2 | 2 |
| Profit and loss account | | <u>(323,605)</u> | <u>(265,654)</u> |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | 14 | <u>(323,603)</u> | <u>(265,652)</u> |

These financial statements were approved by the Board of Directors on 14 March 2001.

Signed on behalf of the Board of Directors



Director

NOTES TO THE ACCOUNTS
Year ended 30 November 1999**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom under the historical cost convention.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

| | |
|-----------------------|----------------------------|
| Plant and machinery | 15% per annum |
| Motor vehicles | 20% - 33.33% straight line |
| Fixtures and fittings | 15% - 33.33% straight line |

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value. Those held as current assets are stated at the lower of cost and net realisable value.

Stocks and work in progress

Stocks and work in progress, are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

Pension costs

The company operates a defined contribution pension scheme for the directors and staff, whereby contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Leases

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

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

NOTES TO THE ACCOUNTS**Year ended 30 November 1999****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.

3. OPERATING LOSS

| | Period from 11 November 1997 (date of incorporation) to 30 November | |
|---|--|-------------------|
| | 1999 | 1998 |
| | £ | £ |
| Operating loss is after charging/(crediting): | | |
| Depreciation and amortisation | | |
| Owned assets | 64,477 | 68,283 |
| Assets held under finance leases and hire purchase contracts | 42,115 | 48,617 |
| Profit on disposal of fixed assets | (1,294) | (9,384) |
| Loss on foreign exchange | - | 3,433 |
| Auditors' remuneration | 6,000 | 5,200 |
| Management charges receivable from parent undertaking | - | (102,500) |
| | <u> </u> | <u> </u> |

4. INTEREST PAYABLE AND SIMILAR CHARGES

| | Period from 11 November 1997 (date of incorporation) to 30 November | |
|--|--|-------------------|
| | 1999 | 1998 |
| | £ | £ |
| Bank overdraft interest and charges | 8,208 | 21,277 |
| Finance leases and hire purchase contracts | 2,153 | 11,220 |
| Other interest | 1,121 | 78,861 |
| | <u> </u> | <u> </u> |
| | <u>11,482</u> | <u>111,358</u> |

NOTES TO THE ACCOUNTS
Year ended 30 November 1999

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

| | Period from 11 November 1997 (date of incorporation) to 30 November | |
|---|---|------------|
| | 1999 | 1998 |
| | £ | £ |
| Directors' emoluments : | | |
| Directors' remuneration | - | 36,504 |
| Pension contributions | - | 7,332 |
| | <hr/> | <hr/> |
| | - | 43,836 |
| | <hr/> | <hr/> |
| | No. | No. |
| Average number of persons employed (including directors) | | |
| Office and management | 26 | 27 |
| Service department | 26 | 29 |
| | <hr/> | <hr/> |
| | 52 | 56 |
| | <hr/> | <hr/> |
| | £ | £ |
| Staff costs during the year (including directors) | | |
| Wages and salaries | 692,946 | 754,555 |
| Social security costs | 61,015 | 69,627 |
| Pension costs | 7,704 | 17,577 |
| | <hr/> | <hr/> |
| | 761,665 | 841,759 |
| | <hr/> | <hr/> |

Retirement benefits are accruing for one director under the defined contribution pension scheme (1998: one).

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

Due to the incidence of losses there is no tax charge in the current year or previous period.

NOTES TO THE ACCOUNTS
Year ended 30 November 1999

7. TANGIBLE FIXED ASSETS

| | Plant and machinery £ | Motor vehicles £ | Fixtures and fittings £ | Total £ |
|-----------------------|-----------------------------|------------------------|-------------------------------|------------|
| Cost | | | | |
| At 1 December 1998 | 145,361 | 116,371 | 90,479 | 352,211 |
| Additions | 19,550 | 42,180 | 36,379 | 98,109 |
| Disposals | - | (4,100) | (12,076) | (16,176) |
| At 30 November 1999 | 164,911 | 154,451 | 114,782 | 434,144 |
| Depreciation | | | | |
| At 1 December 1998 | 32,119 | 29,935 | 28,791 | 90,845 |
| Charge for the year | 31,417 | 46,703 | 28,472 | 106,592 |
| Disposals | - | (3,425) | (3,589) | (7,014) |
| At 30 November 1999 | 63,536 | 73,213 | 53,674 | 190,423 |
| Net book value | | | | |
| At 30 November 1999 | 101,375 | 81,238 | 61,108 | 243,721 |
| At 30 November 1998 | 113,242 | 86,436 | 61,688 | 261,366 |

The net book value of fixed assets at 30 November 1999 includes £86,426 (1998: £149,681) in respect of assets held under finance lease and hire purchase contracts. The depreciation charged to the accounts in the year in respect of such assets amounted to £42,115 (1998: £48,617).

8. FIXED ASSET INVESTMENTS

| | Unlisted Investments |
|------------------------------------|-------------------------|
| Cost | |
| At 1 December 1998 | 390 |
| Amortisation | (390) |
| Net book value at 30 November 1999 | - |

9. STOCKS

| | 1999 £ | 1998 £ |
|-------------------------------------|-----------|-----------|
| Raw materials and consumables | - | 218,640 |
| Work in progress | 18,282 | 13,549 |
| Finished goods and goods for resale | 1,004,077 | 648,593 |
| | 1,022,359 | 880,782 |

NOTES TO THE ACCOUNTS
Year ended 30 November 1999

10. DEBTORS

| | 1999 £ | 1998 £ |
|------------------------------------|----------------|----------------|
| Trade debtors | 692,198 | 888,481 |
| Amounts owed by group undertakings | 10,024 | 9,677 |
| Other debtors and prepayments | 18,535 | 5,543 |
| | <u>720,757</u> | <u>903,701</u> |

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 1999 £ | 1998 £ |
|--|------------------|------------------|
| Bank overdrafts | 1,563,338 | 236,939 |
| Other loans | - | 659,052 |
| Obligations under finance leases and hire purchase contracts | 35,317 | 52,306 |
| Trade creditors | 467,541 | 330,107 |
| Amount owed to group undertakings | 147,407 | 800,000 |
| Other taxes and social security | 31,840 | 90,503 |
| Other creditors and accruals | 69,204 | 100,659 |
| | <u>2,314,647</u> | <u>2,269,566</u> |

Obligations under finance leases and hire purchase contracts are secured on the assets concerned.

On 18 December 1998 the company was acquired by SBF Agrico Limited. On the same day the company refinanced existing bank borrowing with funds from the Bank of Scotland who hold a floating charge over the assets of the company and a corporate guarantee over all companies in the SBF Agrico Limited group. Previously existing bank security arrangements were discharged on the same date.

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 1999 £ | 1998 £ |
|--|--------------|---------------|
| Obligations under finance leases and hire purchase contracts are repayable as follows: | | |
| Between one and two years | 4,306 | - |
| Between two and five years | - | 42,825 |
| | <u>4,306</u> | <u>42,825</u> |

Obligations under hire purchase and finance lease contracts are secured over the related assets.

NOTES TO THE ACCOUNTS
Year ended 30 November 1999

13. SHARE CAPITAL

| | 1999 £ | 1998 £ |
|---|-----------|-----------|
| Authorised | | |
| 1,000 ordinary shares of £1 each | 1,000 | 1,000 |
| Called up, allotted and fully paid | | |
| 2 ordinary shares of £1 each | 2 | 2 |

14. RECONCILIATION OF THE MOVEMENT IN SHAREHOLDERS' FUNDS

| | 1999 £ | Period from 11 November 1997 (date of incorporation) to 30 November 1998 £ |
|-------------------------------------|-----------|--|
| Loss for the financial year/period | (57,951) | (265,654) |
| New share capital subscribed | - | 2 |
| Net decrease in shareholders' funds | (57,951) | (265,652) |
| Opening shareholders' funds | (265,652) | - |
| Closing shareholders' funds | (323,603) | (265,652) |

15. OPERATING LEASE COMMITMENTS

At 30 November 1999 the company was committed to making the following payments during the next year in respect of operating leases:

| | 1999 £ | 1998 £ |
|--------------------------|-----------|-----------|
| Expiring: | | |
| Within one year | - | 553 |
| Within one to five years | - | 20,387 |
| After five years | - | - |
| | - | 20,940 |

16. CONTINGENT LIABILITIES

There is a contingent liability in respect of a corporate guarantee held by the Bank of Scotland over all companies in the SBF Agrico Group. The potential liability at 30 November 1999 under this arrangement was £3,299,669.

17. RELATED PARTY TRANSACTIONS

The directors have taken advantage of the disclosure exemptions conferred by FRS8, related party transactions, paragraph 3 (c) and not disclosed transactions with fellow members of the SBF Agrico Group.

NOTES TO THE ACCOUNTS
Year ended 30 November 1999

18. PENSIONS COMMITMENT

The company operates a defined contribution pension scheme for the directors and staff. The annual commitment during the year was £7,704 (1998: £17,577). At 30 November 1999, £4,116 (1998: £5,538) remained outstanding. The assets of the scheme are held separately from those of the company.

19. PARENT COMPANY

The company's parent undertaking is SBF Agrico Limited. Copies of its consolidated financial statements which include the results of this company can be obtained from Companies House.

20. POST BALANCE SHEET EVENT

On 1 December 2000 the trade and net assets of the company were transferred to George Sellar & Son Limited, a fellow subsidiary company.