

Carrs Agriculture Limited
Annual report
for the year ended 31 August 1996

Registered no: 189740



Carrs Agriculture Limited

Annual report for the year ended 31 August 1996

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Directors' report for the year ended 31 August 1996

The directors present their report and the audited financial statements for the year ended 31 August 1996.

Principal activities

The principal activities of the company continued to be the manufacture and supply of agricultural products.

Review of business

The profit for the year on ordinary activities after taxation amounted to £1,189,970. The company performed well despite the difficult market conditions that prevailed in the cattle feed sectors. The uncertainties in the farming community following the announcement of the BSE crisis in the UK also had an adverse impact. In many areas of our business the company increased market share and this bodes well for the future.

Dividends

The directors have declared the following dividend in respect of the year ended 31 August 1996.

Ordinary dividend payable: £1,200,000

Directors

The directors who held office during the year were:

C N C Holmes	(Chairman)
R C Wood	
J E Tudor	
H G Mountain	
D Monaghan	
R Tomlinson	
S A Denby	
J Crawford	
P J Copus	

R C Wood, H G Mountain and J E Tudor retire by rotation and, being eligible, offer themselves for re-election.

Carrs Agriculture Limited

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R C Wood, J E Tudor and C N C Holmes are directors of the ultimate parent company and their interests are shown in the financial statements of that company.

Other directors who held office at 31 August 1996 had the following interests in the shares of the ultimate parent company:

	Number of ordinary shares of £1 each	
	At 31 August 1996	At 3 September 1995
H G Mountain		
J Crawford	6,050	2,050
S A Denby	1,000	-
	2,000	2,000

Other than the above, no director has any interest in the shares of the company or any other subsidiary of the company's ultimate parent company.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that 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.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 August 1996. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Creditors' terms

It is the company's policy to agree terms of payment with its suppliers when agreeing the terms of a business transaction or transactions. All suppliers are aware of this procedure and the company abides by the agreed payment terms.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board



R C Wood
Secretary

Stanwix
Carlisle

6 December 1996

Carrs Agriculture Limited

Report of the auditors to the members of Carrs Agriculture Limited

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

As described on page 2 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 at 31 August 1996 and of its profit and total recognised gains for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand

Chartered Accountants and Registered Auditors

Leeds

6 December 1996

Profit and loss account for the year ended 31 August 1996

	Notes	1996 £	1995 £
Turnover	2	59,049,616	57,423,972
Cost of sales		(53,387,475)	(51,846,326)
Gross profit		5,662,141	5,577,646
Other operating expenses	3	(3,710,825)	(3,522,752)
Operating profit		1,951,316	2,054,894
Other income	4	130,235	-
Profit on ordinary activities before interest		2,081,551	2,054,894
Interest receivable	7	896	2,414
Interest payable	8	(352,319)	(313,811)
Profit on ordinary activities before taxation	9	1,730,128	1,743,497
Taxation	10	(540,158)	(595,425)
Profit for the financial year		1,189,970	1,148,072
Dividends	11	(1,200,000)	(1,140,000)
(Deficit) / retained profit for the financial year	23	(10,030)	8,072

All items dealt with in arriving at operating profit for 1996 and 1995 relate to continuing operations.

The company has no recognised gains and losses in the period, other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

Note of historical cost profits and losses

	1996 £	1995 £
Reported profit on ordinary activities before tax	1,730,128	1,743,497
Difference between historical cost depreciation charge and actual charge on revalued amount of fixed assets	24,663	50,032
Historical cost profit on ordinary activities before tax	1,754,791	1,793,529
Historical cost profit retained after taxation and dividends	14,633	58,104

Balance sheet

At 31 August 1996

	Notes	1996 £	1995 £
Fixed assets			
Tangible assets	12	7,651,184	7,431,432
Investments	13	55,474	55,474
		<u>7,706,658</u>	<u>7,486,906</u>
Current assets			
Stocks	14	5,045,307	4,048,452
Debtors	15	9,547,848	8,188,827
Cash at bank and in hand		1,214,348	518,940
		<u>15,807,503</u>	<u>12,756,219</u>
Creditors: amounts falling due within one year	16	(18,670,220)	(15,106,798)
Net current liabilities		<u>(2,862,717)</u>	<u>(2,350,579)</u>
Total assets less current liabilities		<u>4,843,941</u>	<u>5,136,327</u>
Creditors: amounts falling due after more than one year	17	(304,471)	(453,588)
Provisions for liabilities and charges	18	(560,000)	(623,000)
Government grants	19	(93,617)	(121,133)
		<u>(958,088)</u>	<u>(1,197,721)</u>
Net assets		<u>3,885,853</u>	<u>3,938,606</u>
Capital and reserves			
Called-up share capital	21	101,520	101,520
Revaluation reserve	22	1,738,909	1,738,909
Profit and loss account	22	2,045,424	2,098,177
Equity shareholders' funds	23	<u>3,885,853</u>	<u>3,938,606</u>

The financial statements on pages 5 to 16 were approved by the board of directors on 6 December 1996 and were signed on its behalf by:

R C Wood

C N C Holmes
Directors

**Notes to the financial statements
for the year ended 31 August 1996****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below.

Basis of accounting

The financial statements are prepared under the historical cost basis of accounting.

Turnover

Turnover represents the value of goods invoiced to customers during the year less returns and excluding VAT.

Depreciation

Depreciation is calculated to write off the cost or valuation of all tangible fixed assets, other than freehold land which is not depreciated, in equal annual instalments over their estimated useful lives at the following rates:

Freehold and long leasehold properties	2 %
Short leasehold properties	over the period of the lease
Plant and equipment	5 % - 20 %
Motor vehicles	20 % - 25 %

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes production overheads where appropriate.

Deferred taxation

Deferred taxation is provided under the liability method to take account of all timing differences between profits as stated in the financial statements and as computed for tax purposes to the extent that it is considered with reasonable probability that such a liability will crystallise.

Government grants

Grants received in respect of capital expenditure are recognised in the profit and loss account in equal annual instalments over the estimated useful lives of the assets concerned.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amounts capitalised are the present values of the minimum lease payments. The corresponding commitments are shown as obligations under finance leases.

Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account using the actuarial method.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account as incurred.

Pensions

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services.

Cash flows

The company is a wholly owned subsidiary of Carr's Milling Industries PLC and cash flows of the company are included in the consolidated group cash flow statement of Carr's Milling Industries PLC. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

2 Segmental analysis

In the opinion of the directors all the activities of the company fall into one class of business, namely the manufacture and supply of agricultural products. All activities were conducted in the United Kingdom.

3 Other operating expenses

	1996 £	1995 £
Distribution costs	2,417,920	2,455,504
Administrative expenses	1,292,905	1,067,248
	<u>3,710,825</u>	<u>3,522,752</u>

4 Other income

During the year the company disposed of a participating interest in a pharmaceutical business. The sale resulted in a net profit of £130,235.

5 Directors' emoluments

The remuneration paid to the directors of the company was:

	1996	1995
	£	£
Emoluments (including benefits in kind)	336,420	272,122
Pension contributions	32,596	23,986
Aggregate emoluments	<u>369,016</u>	<u>296,108</u>

Emoluments (excluding pension contributions) include amounts paid to:

	1996	1995
	£	£
The chairman and highest paid director	<u>107,671</u>	<u>106,063</u>

The number of directors (including the chairman and the highest-paid director) who received emoluments (excluding pension contributions) in the following ranges was:

	1996 Number	1995 Number
£Nil	2	4
£5,001 to £10,000	1	-
£35,001 to £40,000	-	2
£40,001 to £45,000	1	2
£45,001 to £50,000	3	-
£55,001 to £60,000	1	-
£105,001 to £110,000	-	1
£115,001 to £120,000	<u>1</u>	<u>-</u>

6 Employee information

The average weekly number of persons (including executive directors) employed during the year was:

	1996 Number	1995 Number
By product group		
Sales, office and management	113	110
Manufacturing and distribution	<u>122</u>	<u>118</u>
	<u>235</u>	<u>228</u>
	<u>1996</u>	<u>1995</u>
	£	£
Staff costs (for the above persons):		
Wages and salaries	3,412,111	3,363,659
Social security costs	294,093	291,461
Other pension costs (see note 20)	<u>203,945</u>	<u>179,985</u>
	<u>3,910,149</u>	<u>3,835,105</u>

7 Interest receivable

	1996 £	1995 £
Bank interest	619	-
Interest on trade debts	277	2,414
	<u>896</u>	<u>2,414</u>

8 Interest payable

	1996 £	1995 £
On bank overdraft	109,404	115,337
On finance leases	58,882	42,053
On amounts owed to group companies	145,733	122,836
Other	38,300	33,585
	<u>352,319</u>	<u>313,811</u>

9 Profit on ordinary activities before taxation

	1996 £	1995 £
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Amortisation of government grants	(27,516)	(29,825)
Rent receivable	(34,000)	(26,500)
Depreciation charge for the year:		
Tangible owned fixed assets	565,976	580,925
Tangible fixed assets held under finance leases	210,637	108,475
Auditors' remuneration for audit	38,400	36,200
Hire of plant and machinery	6,898	5,617
Hire of other assets	54,038	148,627
Loss / (profit) on disposal of tangible fixed assets	2,362	(15,116)
	<u></u>	<u></u>

10 Taxation

	1996 £	1995 £
United Kingdom corporation tax at 33% (1995: 33%):		
Current	524,766	595,000
Group relief	65,234	-
Deferred	6,000	33,000
(Over)/under provision in respect of prior years:		
Current	13,158	15,425
Deferred	(69,000)	(48,000)
	<u>540,158</u>	<u>595,425</u>

11 Dividends

	1996 £	1995 £
Ordinary dividends payable at £11.82 (1995: £11.229) per share	<u>1,200,000</u>	<u>1,140,000</u>

12 Tangible fixed assets

	Land and buildings £	Plant equipment and motor and vehicles £	Assets in course of construction £	Total £
Cost or valuation				
At 3 September 1995	3,645,070	8,549,150	160,594	12,354,814
Additions	225,424	848,510	4,825	1,078,759
Disposals	-	(208,999)	-	(208,999)
Transfers from group companies	-	29,905	-	29,905
Reclassification	-	160,594	(160,594)	-
At 31 August 1996	3,870,494	9,379,160	4,825	13,254,479
Depreciation				
At 3 September 1995	35,498	4,887,884	-	4,923,382
Charge for the year	71,050	705,563	-	776,613
Transfers from group companies	-	29,856	-	29,856
Eliminated in respect of disposals	-	(126,556)	-	(126,556)
At 31 August 1996	106,548	5,496,747	-	5,603,295
Net book value				
At 31 August 1996	3,763,946	3,882,413	4,825	7,651,184
Net book value				
At 2 September 1995	3,609,572	3,661,266	160,594	7,431,432
Cost or valuation at				
31 August 1996 is represented by:				
Valuation in 1995	2,499,000	-	-	2,499,000
Cost	1,371,494	9,379,160	4,825	10,755,479
	3,870,494	9,379,160	4,825	13,254,479

Land and buildings, with the exception of the mill and properties constructed or land acquired since 1995, was revalued at open market value for existing use, at 31 August 1995 by Carigiet Cowen, Chartered Surveyors. The mill at Silloth-on-Solway was revalued on the basis of depreciated replacement cost by G.F.Singleton and Company, Chartered Surveyors, at 31 August 1995.

The net book value of tangible fixed assets includes an amount of £647,134 (1995:£522,144) in respect of assets held under finance leases. If land and buildings had not been revalued they would have been included at the following amounts:

	1996 £	1995 £
Cost	2,483,367	1,937,557
Aggregate depreciation based on cost	371,772	325,385
Land and buildings at net book value comprise:		
	1996 £	1995 £
Freeholds	3,381,746	2,913,014
Long leaseholds	382,200	696,558
	3,763,946	3,609,572

13 Fixed asset investments

	1996 £	1995 £
Investment in subsidiaries	55,421	55,421
Unlisted investments	53	53
	55,474	55,474

The company holds 100% of the ordinary share capital of Thos. Edmondson Limited, a dormant company registered in England and Wales.

Group accounts have been not prepared as the company is a wholly owned subsidiary of a company incorporated in Great Britain.

14 Stocks

	1996 £	1995 £
Work in progress	55,773	48,075
Raw materials and consumables	1,077,950	1,023,950
Finished goods and goods for resale	3,911,584	2,976,427
	5,045,307	4,048,452

15 Debtors

	1996 £	1995 £
Amounts falling due within one year		
Trade debtors	7,831,666	7,647,707
Amounts owed by fellow subsidiary undertakings	1,445,882	425,461
Other debtors	66,567	44,263
Prepayments and accrued income	203,733	71,396
	<u>9,547,848</u>	<u>8,188,827</u>

16 Creditors: amounts falling due within one year

	1996 £	1995 £
Obligations under finance leases	281,613	222,772
Payments on account	536,685	-
Trade creditors	7,834,528	5,397,884
Amounts owed to parent company	2,157,810	2,090,645
Amounts owed to fellow subsidiary undertakings	5,335,694	5,154,910
Dividends payable	1,200,000	1,140,000
Corporation tax	406,617	475,754
Group taxation relief payable	202,259	120,793
Other taxation and social security payable	168,606	125,838
Other creditors	319,494	225,991
Accruals	226,914	152,211
	<u>18,670,220</u>	<u>15,106,798</u>

17 Creditors: amounts falling due after more than one year

	1996 £	1995 £
Other	-	100,000
Obligations under finance leases	304,471	353,588
	<u>304,471</u>	<u>453,588</u>
	1996 £	1995 £
Obligations under finance leases are repayable as follows:		
In one year or less	281,613	222,772
Between one and two years	186,143	185,026
Between two and five years	118,328	168,562
	<u>586,084</u>	<u>576,360</u>

18 Provisions for liabilities and charges

	Deferred taxation £
At 3 September 1995	623,000
Transferred to profit and loss account	(63,000)
	<hr/>
At 31 August 1996	560,000
	<hr/> <hr/>

Deferred taxation

Deferred taxation provided in the financial statements is as follows:

	Amount provided 1996 £	1995 £
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	605,000	668,000
Other	(45,000)	(45,000)
	<hr/>	<hr/>
	560,000	623,000
	<hr/> <hr/>	<hr/> <hr/>

No provision has been made for additional taxation which would accrue if the land and buildings were disposed of at their revalued amount. This liability is estimated at £ Nil (1995: £38,000). Full provision has been made for all other aspects of deferred taxation.

19 Government grants

	£
At 3 September 1995	121,133
Amortisation in year	(27,516)
	<hr/>
At 31 August 1996	93,617
	<hr/> <hr/>

20 Pension obligations

The company participates in a group pension scheme operated by Carr's Milling Industries PLC. This pension scheme is of the defined benefit type and its assets are held in a separate trustee administered fund. The fund is valued every three years by a professional qualified actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. The latest actuarial assessment of the Scheme was at 1 January 1995. Particulars of the valuation are contained in the accounts of Carr's Milling Industries PLC.

The company also participates in a defined contribution pension scheme. The assets are held separately from those of the group and invested with an insurance company. The pension cost charge represents contributions payable by the company to the fund and amounted to £5,321 (1995: £4,870).

The pension cost for the year charged to the profit and loss account is shown in note 6.

21 Called-up share capital

	1996 £	1995 £
Authorised		
120,000 ordinary shares of £1 each	<u>120,000</u>	<u>120,000</u>
Allotted, called-up and fully paid		
101,520 ordinary shares of £1 each	<u>101,520</u>	<u>101,520</u>

22 Reserves

	Revaluation reserve £	Profit and loss account £
At 3 September 1995	1,738,909	2,098,177
Deficit for the year	-	(10,030)
Purchased goodwill written off	-	(42,723)
At 31 August 1996	<u>1,738,909</u>	<u>2,045,424</u>

23 Reconciliation of movements in equity shareholders' funds

	1996 £	1995 £
Opening equity shareholders' funds	3,938,606	3,911,720
(Deficit) / retained profit for the year	(10,030)	8,072
Goodwill written off	(42,723)	-
Revaluation surplus	-	18,814
Closing equity shareholders' funds	<u>3,885,853</u>	<u>3,938,606</u>

24 Capital commitments

	1996 £	1995 £
Capital expenditure that has been contracted for but has not provided for in the financial statements	<u>22,800</u>	<u>39,820</u>

25 Other financial commitments

At 31 August 1996, the company had annual commitments under non-cancellable operating leases with respect to assets other than land and buildings as follows:

	1996	1995
	£	£
Expiring within one year	7,480	18,510
Expiring within two and five years inclusive	3,861	26,035
	<u>11,341</u>	<u>44,545</u>

26 Group banking arrangements

The company has given an unlimited cross guarantee with regard to all amounts owing to Clydesdale Bank PLC by its parent company and fellow subsidiary companies. At 31 August 1996 the aggregate amount outstanding under these group banking arrangements was £1,712,382 (1995: £1,755,509).

27 Ultimate parent company

The directors regard Carr's Milling Industries PLC, a company registered in England and Wales, as the ultimate parent company. According to the register kept by the company, Carr's Milling Industries PLC has a 100% interest in the equity capital of Carrs Agriculture Limited at 31 August 1996. Copies of the parent company's consolidated financial statements may be obtained from Carr's Milling Industries PLC, Old Croft, Stanwix, Carlisle, CA3 9BA.