

1339557

# **Becker Underwood Limited**

## **Report and Financial Statements**

30 September 2003



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# Becker Underwood Limited

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Registered No: 1639557

## **Directors**

P Innes  
S P J Potter  
R C Underwood  
J A Becker  
M M Jelenko  
N Martin  
G Gowling

## **Secretary**

B Fuller

## **Auditors**

Ernst & Young LLP  
Wessex House  
19 Threefield Lane  
Southampton  
SO14 3QB

## **Registered office**

Unit 1 Harwood Industrial Estate  
Harwood Road  
Littlehampton  
West Sussex  
BN17 7AU

## Directors' report

The directors present their report and financial statements for the year ended 30 September 2003.

### Results and dividends

The profit for the year, after taxation, amounted to £408,000. The directors do not recommend the payment of any dividends.

### Principal activities and review of the business

The principal activity of the company during the year was the production and sale of biofertilisers and biopesticides.

The company maintained its profitability in the financial year, despite difficult market conditions. The directors believe that the company will continue to be profitable in future years.

### Suppliers

It is company policy to agree terms of trade when contracting with suppliers and thereafter to adhere to those terms.

### Directors

The directors who served the company during the year were as follows:

P Innes  
S P J Potter  
R C Underwood  
J A Becker  
M M Jelenko  
N Martin  
G Gowling

There are no directors' interests requiring disclosure under the Companies Act 1985.

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board

G Gowling



Director

12<sup>th</sup> December 2003

## **Statement of directors' responsibilities in respect of the financial statements**

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 of the company 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; 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.

# **Independent auditors' report**

## **to the members of Becker Underwood Limited**

We have audited the company's financial statements for the year ended 30 September 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Cash Flows and the related notes 1 to 17. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 auditors' 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 auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit 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.

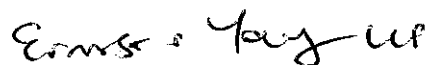
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

## Independent auditors' report

to the members of Becker Underwood Limited (continued)

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 September 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
Southampton

13 March 2003

## Profit and loss account

for the year ended 30 September 2003

	Notes	2003 £000	2002 £000
<b>Turnover</b>	2	3,968	4,578
Cost of sales		1,686	2,011
<b>Gross profit</b>		2,282	2,567
Distribution costs		104	114
Administrative expenses		1,769	2,078
<b>Operating profit</b>	3	409	375
Bank interest receivable	6	1	1
<b>Profit on ordinary activities before taxation</b>		410	376
Tax on profit on ordinary activities	7	2	—
<b>Profit retained for the financial year</b>		408	376

## Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £408,000 attributable to the shareholders for the year ended 30 September 2003 (2002 - profit of £376,000).

## Balance sheet

at 30 September 2003

	Notes	2003 £000	2002 £000
<b>Fixed assets</b>			
Tangible assets	8	1,273	1,514
<b>Current assets</b>			
Stocks	9	270	294
Debtors	10	632	356
Cash at bank		306	235
		1,208	885
<b>Creditors: amounts falling due within one year</b>	11	1,016	1,342
<b>Net current assets/(liabilities)</b>		192	(457)
<b>Total assets less current liabilities</b>		1,465	1,057
<b>Capital and reserves</b>			
Share capital	14	—	—
Profit and loss account	15	1,465	1,057
<b>Equity shareholders' funds</b>	15	1,465	1,057



G Gowling  
Director

12<sup>th</sup> December 2003



## Statement of cash flows

for the year ended 30 September 2003

	Notes	2003 £000	2002 £000
<b>Net cash inflow/(outflow) from operating activities</b>	16 (a)	107	(2,199)
<b>Returns on investments and servicing of finance</b>			
Interest received		1	1
<b>Net cash inflow from returns on investments and servicing of finance</b>		1	1
Corporation tax paid		(2)	—
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		(37)	(322)
Receipts from sales of tangible fixed assets		2	3
		(35)	(319)
<b>Financing</b>			
Capital contribution from parent company		—	2,600
Repayment of capital element of hire purchase contracts		—	(4)
		—	2,596
<b>Increase in cash</b>		71	79
<b>Reconciliation of net cash flow to movement in net funds</b>			
		2003 £000	2002 £000
Increase in cash		71	79
Cash used to repay capital element of hire purchase payments		—	4
		71	83
Change in net funds	16 (b)	71	83
Net funds at 1 October	16 (b)	235	152
Net funds at 30 September	16 (b)	306	235

## Notes to the financial statements at 30 September 2003

### 1. Accounting policies

#### *Basis of preparation*

The financial statements are prepared under the historical cost convention.

#### *Research and development*

Research and development expenditure is written off in the year in which it is incurred.

#### *Fixed assets*

All fixed assets are initially recorded at cost.

#### *Depreciation*

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Leasehold improvements	- over the length of the lease
Production equipment	- over 3 to 10 years
Fixtures and fittings	- over 10 years
Computer and office equipment	- over 3 to 5 years

Research equipment is depreciated over the life of the related project.

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale	- purchase cost on a first-in, first-out basis.
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

#### *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

## Notes to the financial statements

at 30 September 2003

### 1. Accounting policies (continued)

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

#### *Operating lease agreements*

Rentals payable under operating leases are charged in the Profit and Loss Account on a straight line basis over the lease term.

#### *Pension costs*

A fellow group undertaking, The MicroBio Group Limited, operates a defined contribution pension scheme for Becker Underwood Limited. The assets of the scheme are held separately from those of the group in an independent administered fund. The pension charge represents contributions payable by the company to the fund.

### 2. Turnover

Turnover represents the invoiced amount of products and technology sold, stated net of value added tax.

An analysis of turnover by geographical market is given below:

	2003 £000	2002 £000
United Kingdom	879	1,014
Rest of European Union	727	839
North America	2,282	2,633
Rest of World	80	92
	<u>3,968</u>	<u>4,578</u>

## Notes to the financial statements

at 30 September 2003

### 3. Operating profit

This is stated after charging/(crediting):

	2003 £000	2002 £000
Auditors' remuneration - audit services	17	20
- non-audit services	8	48
	<u>25</u>	<u>68</u>
Depreciation of owned fixed assets	276	260
Depreciation of assets held under hire purchase contracts	-	3
	<u>276</u>	<u>263</u>
Loss on disposal of fixed assets	-	11
Operating lease rentals - land and buildings	83	83
- plant and machinery	44	18
Net loss on foreign currency translation	205	55
Exceptional expense - bad debt write off	-	125
Exceptional expense - redundancy costs	53	-
	<u>53</u>	<u>-</u>

### 4. Staff costs

	2003 £000	2002 £000
Wages and salaries	627	740
Social security costs	62	77
Other pension costs	71	88
	<u>760</u>	<u>905</u>

The monthly average number of employees during the year was as follows:

	2003 No.	2002 No.
Sales, marketing and production staff	15	13
Research and development	5	8
Administrative staff	3	4
	<u>23</u>	<u>25</u>

### 5. Directors' emoluments

	2003 £000	2002 £000
Emoluments	<u>118</u>	<u>160</u>
Value of company pension contributions to money purchase schemes	<u>28</u>	<u>26</u>

## Notes to the financial statements

at 30 September 2003

### 5. Directors' emoluments (continued)

	2003 No.	2002 No.
Members of money purchase pension schemes	<u>3</u>	<u>4</u>

### 6. Interest receivable

	2003 £000	2002 £000
Bank interest receivable	<u>1</u>	<u>1</u>

### 7. Tax

(a) Tax on profit on ordinary activities

The tax charge/(credit) is made up as follows:

	2003 £000	2002 £000
<i>Current tax:</i>		
Corporation tax	—	—
Tax under provided in previous years	<u>2</u>	<u>—</u>
Total current tax (note 7(b))	<u>2</u>	<u>—</u>

(b) Factors affecting current tax charge

The differences are reconciled below:

	2003 £000	2002 £000
Profit on ordinary activities before taxation	<u>410</u>	<u>376</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax for the UK of 30%	123	113
(Income) / Expenses not deductible for tax purposes	(7)	14
Capital allowances for the period in excess of depreciation	(32)	(57)
Utilisation of losses	(74)	(70)
Other timing differences	(10)	—
Adjustments to tax charge in respect of prior years	<u>2</u>	<u>—</u>
Total current tax (note 7(a))	<u>2</u>	<u>—</u>

## Notes to the financial statements

at 30 September 2003

### 7. Tax (continued)

(c) Deferred tax

The deferred taxation asset not recognised in the accounts is as follows:

	2003 £000	2002 £000
Capital allowances in advance of depreciation	4	12
Tax losses available	1,102	1,175
Other timing differences	1	11
	<u>1,107</u>	<u>1,198</u>

### 8. Tangible fixed assets

	<i>Leasehold Property £000</i>	<i>Plant &amp; Machinery £000</i>	<i>Total £000</i>
Cost:			
At 1 October 2002	490	2,430	2,920
Additions	2	35	37
Disposals	—	(57)	(57)
At 30 September 2003	<u>492</u>	<u>2,408</u>	<u>2,900</u>
Depreciation:			
At 1 October 2002	215	1,191	1,406
Provided during the year	71	205	276
Disposals	—	(55)	(55)
At 30 September 2003	<u>286</u>	<u>1,341</u>	<u>1,627</u>
Net book value:			
At 30 September 2003	<u>206</u>	<u>1,067</u>	<u>1,273</u>
At 1 October 2002	<u>275</u>	<u>1,239</u>	<u>1,514</u>

### 9. Stocks

	2003 £000	2002 £000
Raw materials	112	114
Work in progress	108	116
Finished goods	50	64
	<u>270</u>	<u>294</u>

## Notes to the financial statements

at 30 September 2003

### 10. Debtors

	2003 £000	2002 £000
Trade debtors	233	322
Amounts owed by group undertakings	346	8
Prepayments and accrued income	53	26
	<u>632</u>	<u>356</u>

### 11. Creditors: amounts falling due within one year

	2003 £000	2002 £000
Trade creditors	34	38
Amounts owed to group undertakings	689	1,159
Other creditors	30	30
Other taxation	12	8
Accruals and deferred income	251	107
	<u>1,016</u>	<u>1,342</u>

### 12. Pensions

A fellow undertaking, The MicroBio Group Limited operates a defined contribution pension scheme for Becker Underwood Limited. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The pension cost shown in note 4 of £71,000 (2002: £88,000) represents the contributions payable by the company to the fund. Outstanding contributions due to the fund at the balance sheet date of £8,000 (2002: £7,000) are shown within accruals and deferred income.

### 13. Commitments under operating leases

At 30 September 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	2003		2002	
	<i>Land and buildings £000</i>	<i>Other £000</i>	<i>Land and buildings £000</i>	<i>Other £000</i>
Operating leases which expire:				
Within one year	—	2	—	23
In two to five years	83	23	83	4
	<u>83</u>	<u>25</u>	<u>83</u>	<u>27</u>





## Notes to the financial statements

at 30 September 2003

### 16. Notes to the statement of cash flows (continued)

(b) Analysis of changes in net funds

	<i>At 1 October 2002 £000</i>	<i>Cash flows £000</i>	<i>At 30 September 2003 £000</i>
Cash at bank and in hand	235	71	306
	<u>235</u>	<u>71</u>	<u>306</u>

### 17. Ultimate parent company

At the year end, the immediate parent undertaking was Becker Underwood (UK) Limited, a company registered in England. The ultimate parent undertaking is Becker Underwood Inc., a company incorporated in the United States and copies of the Group Financial Statements of which the company is included are available from:

801 Dayton Avenue  
Ames  
Iowa 50010  
USA.

The company has taken advantage of the exemption in FRS8 from disclosing transactions with related parties that are part of the group.