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By appointment to
H.M. Queen Elizabeth II
Armitage Brothers Plc.
Pet Food Manufacturers


Armitages
PET PRODUCTS

Report and Accounts 1985



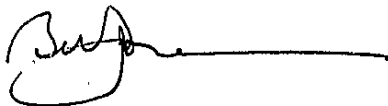
Report and Accounts 1985

Notice of Meeting

NOTICE IS HEREBY GIVEN that the eighty-eighth Annual General Meeting of the Company will be held at Armitage House, Colwick, Nottingham, on Wednesday, 16 October 1985 at 11.00 a.m. to consider and if thought fit to approve the following resolutions:

1. To re-elect Mr. W. David Crane as a director.
2. To re-elect Mr. Richard N. Davis as a director.
3. To receive and adopt the directors' report and accounts for the year ended 31 May 1985.
4. To declare a dividend.
5. To re-appoint Price Waterhouse as auditors and to authorise the directors to fix their remuneration.

By order of the Board
Bryan W. Jones
Secretary



6 September 1985

Notes

- 1 The report and accounts are circulated to the ordinary shareholders and the holders of the 7½% debenture stock but only holders of ordinary shares or their proxies are entitled to attend or vote at the Annual General Meeting.
- 2 A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not also be a member of the Company. A proxy form is enclosed and must be deposited at the registered office not less than forty-eight hours before the time fixed for the meeting.
- 3 Copies of the following documents will be available for inspection at the registered office, Armitage House, Colwick, Nottingham, on weekdays (Saturdays excepted) during the usual business hours from the date of this notice until 15 October 1985 and at the place of meeting for fifteen minutes prior to and during the Annual General Meeting.
 - (a) Details of the contracts of service of the directors with the Company.
 - (b) A statement giving details of the transactions of the directors, their immediate families and family trusts and companies controlled by the directors in the share capital and debenture stock of the Company and its subsidiaries.
- 4 The transfer books of the Company and the register of members will be closed from 8 October to 16 October 1985 inclusive.

Directors and Officers

Directors

S. Robert Armitage, *Chairman*

S. David Armitage, B.Sc.

W. David Crane

Richard N. Davis, M.A. (Cantab)

Bryan W. Jones, F.C.A.

G. Bryan Skelston

**Secretary
and
Registered Office**

Bryan W. Jones, F.C.A.

Armitage House, Colwick, Nottingham NG4 2BA

Auditors

Price Waterhouse, Nottingham

Bankers

Midland Bank Plc, Nottingham

Barclays Bank International Limited, Nottingham

Solicitors

Wells & Hind, Nottingham

Chairman's Statement

Financial Statement

Group profit before taxation for the year ended 31 May 1985 amounted to £358,000. In the previous accounting period of 17 months ended 31 May 1984 the profit was £644,000

This is a disappointing result, particularly as sales have continued to show satisfactory growth. As I mentioned in my Interim Statement to shareholders we had anticipated making a modest profit only in the second half of the financial year; in fact there was a small loss before taxation in this period. The fall in the value of sterling increased the cost of imports, which due to pressure on margins could not be fully recovered in prices, and also led to substantially higher interest rates which coincided with high bank borrowings to finance the building of the new Distribution Centre.

Dividend

As indicated in my Interim Statement a dividend of 30p per share is recommended by the Directors (17 month period ended 31 May 1984 — 42.5p per share).

Review of Operations

There were no major changes in the Group's trading activities during the year.

The construction of the new Distribution Centre has been the largest capital project in the Group's history. Completion of the building work on schedule was most satisfactory and although there were relatively minor delays in commissioning some equipment, the distribution of our products from the new Centre began almost on schedule.

Storage of goods at outside warehouses has now ceased and improved stock control is already becoming apparent. We are now in a position to adapt the layout of the original factory and warehouse at Culwick to provide additional manufacturing capacity.

Our other manufacturing and wholesale units operated satisfactorily and again all contributed to Group profit.

Future Development

Home sales in the current year are 16% ahead of the comparable period of the previous year. Export sales, however, continue to be disappointing.

The concentration of an ever increasing proportion of our annual sales in the pre-Christmas period seems likely to continue but the efficient operation of the new Distribution Centre should enable us to provide an improved service to our customers during this period.

The recovery in the value of sterling and the decline in interest rates should help profitability. However, intense pressure on margins continues, and the level of our bank borrowing will remain high throughout the year. Any improvement in profit above the level now being reported will therefore be difficult to achieve.

Employees

In what has been a very difficult year, I again welcome the opportunity to express my gratitude and thanks to our employees for their continued hard work and loyalty.

S. Robert Armitage



6 September 1985

Report of the Directors

The Directors have pleasure in presenting their report, together with audited accounts, for the 12 months ended 31 May 1985.

The comparative figures relate to the 17 months ended 31 May 1984.

Principal activities

The principal activities of the group are the manufacture and distribution of pet products.

Review of Operations

The review of operations of the Group and of the likely future developments are included in the Chairman's Statement on page 3.

Trading results and dividend

The results for the year are summarised as follows:

	12 months ended 31 May 1985 £000	17 months ended 31 May 1984 £000
Turnover	15,640	18,642
Profit before taxation	358	644
Taxation charge	111	358
Profit after taxation	247	286
Dividends paid and proposed	120	170
Retained profit	127	116

The directors recommend a dividend for the year of 30p per share (17 months ended 31 May 1984 — 42.5p per share). Subject to approval by shareholders this will be paid on 16 October 1985.

Directors and their interests

The directors' interests in the share capital and debenture stock of the company at 31 May 1985 were:

		£1 Ordinary Shares		7½% Debenture Stock	
		1985	1984	1985	1984
S. Robert Armitage	— beneficial	31,742	31,742	2,000	2,000
	— non-beneficial	112,828	102,028	—	—
S. David Armitage	— beneficial	4,984	4,984	—	—
	— non-beneficial	11,758	11,458	—	—
W. David Crane	— beneficial	250	250	—	—
	— non-beneficial	11,758	11,458	—	—
Richard N. Davis	— beneficial	950	950	—	—
Bryan W. Jones	— beneficial	424	424	—	—
G. Bryan Skelston	— beneficial	250	250	—	—

The above interests are unchanged at 6 September 1985.

At no time during the year has any director had any material interest in a contract of significance in relation to the Group's business.

The directors to retire by rotation are W. David Crane and Richard N. Davis, who, being eligible, offer themselves for re-election.

Report of the Directors *continued*

Significant shareholdings

Other than directors' shareholdings the Company has been notified of the following shareholdings of 5% or more of the issued share capital:

	£1 Ordinary Shares
Miss M.G. Armitage — beneficial	21,303
Mrs. I.M. Dodd — beneficial	23,750
The Lady Glendyne — beneficial	28,125

Fixed Assets

Additions amounted to £1,679,000, of which £1,372,000 related to the new Distribution Centre. The remaining £307,000 comprised additional plant at Colwick and other trading locations, and replacement vehicles. Disposals of £79,000 (at cost) relate principally to vehicles. The directors are of the opinion that there is no significant difference between the market and book values of properties owned at 31 May 1985.

Donations

There were no donations which require to be reported under Schedule 7, Paragraph 3, Companies Act 1985.

Employees

The Group supports a policy of involving employees wherever possible in the affairs of the business, in ways aimed at encouraging them to identify themselves with the Group and to use their knowledge and skills actively towards influencing the Group's success.

The means by which this policy is carried out varies according to the size and complexity of the places of work, but the Group continues to provide employees with information on a systematic basis. Departmental meetings, organised briefings to employee groups, open forum sessions and notice boards are the main channels of communication, and through the annual printed accounts the financial results, their application and reinvestment in the business are transmitted. This is an attempt to achieve further awareness of the financial and economic considerations affecting the business, including our plans and expectations for the future.

Due consideration is given to applications for employment from disabled persons, having regard to the particular aptitudes and abilities of the applicants concerned, and the Company provides for the adequate training, career development and promotion of disabled persons.

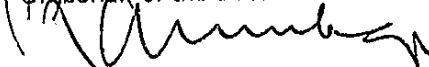
Close company status

The directors are of the opinion that the company is not a close company as defined in the Income & Corporation Taxes Act 1970.

Auditors

Price Waterhouse have indicated that they are willing to continue in office and a resolution will be proposed at the Annual General Meeting that they be re-appointed.

On behalf of the Board



S. Robert Armitage

6 September 1985

Auditors' Report

To the members of ARMITAGE BROTHERS PLC

We have audited the accounts on pages 6 to 17 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 31 May 1985 and of the profit and source and application of funds of the Group for the year then ended and comply with the Companies Act 1985.



Price Waterhouse
Chartered Accountants, Nottingham

6 September 1985

Consolidated Profit and Loss Account

12 months ended 31 May 1985

	Notes	12 months ended 31 May 1985 £000	17 months ended 31 May 1984 £000
Turnover	1	15,640	18,642
Cost of sales		(11,709)	(13,693)
Gross profit		3,931	4,949
Other operating expenses	2	(3,311)	(4,185)
Operating profit		620	764
Interest receivable	5	4	4
Interest payable	6	(266)	(124)
Profit on ordinary activities before taxation		358	644
Tax on profit on ordinary activities	7	(111)	(358)
Profit on ordinary activities after taxation		247	286
Dividends paid and proposed	8	(120)	(170)
Amount set aside to reserves		127	116
Earnings per ordinary share	9	62p	72p
Movement in retained profits			
Brought forward		2,921	3,105
Deferred tax provision		—	(300)
Amount set aside to reserves		127	116
Carried forward		3,048	2,921

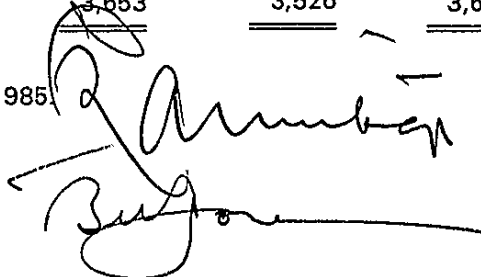
Balance Sheets

31 May 1985

	Notes	Group		Company	
		1985 £000	1984 £000	1985 £000	1984 £000
Fixed assets					
Tangible assets	11	3,218	1,973	2,968	1,714
Investments	12	32	32	301	301
		<u>3,250</u>	<u>2,005</u>	<u>3,269</u>	<u>2,015</u>
Current assets					
Stocks	13	2,548	2,570	2,010	2,262
Debtors	14	2,859	2,280	3,537	2,738
Cash in hand		7	6	7	6
		<u>5,414</u>	<u>4,856</u>	<u>5,554</u>	<u>5,006</u>
Creditors: amounts falling due within one year	15	(4,243)	(2,798)	(4,405)	(2,965)
Net current assets		<u>1,171</u>	<u>2,058</u>	<u>1,149</u>	<u>2,041</u>
Total assets less current liabilities		4,421	4,063	4,418	4,056
Creditors: amounts falling due after more than one year	15	(319)	(258)	(319)	(251)
Deferred taxation	16	(449)	(279)	(449)	(279)
		<u>3,653</u>	<u>3,526</u>	<u>3,650</u>	<u>3,526</u>
Capital and reserves					
Called up share capital	17	400	400	400	400
Revaluation reserve		205	205	187	187
Profit and loss account		3,048	2,921	3,063	2,939
		<u>3,653</u>	<u>3,526</u>	<u>3,650</u>	<u>3,526</u>

Approved by the Board 6 September 1985.

S. Robert Armitage }
 Bryan W. Jones } *Directors*



Source and Application of Funds

12 months ended 31 May 1985

	12 months ended 31 May 1985		17 months ended 31 May 1984	
	£000	£000	£000	£000
Source of Funds				
Profit on ordinary activities before taxation		358		644
Depreciation		403		553
Surplus on disposal of fixed assets		(1)		(15)
Surplus on debentures redeemed		(2)		(2)
Generated from operations		<u>758</u>		<u>1,180</u>
Application of funds				
Purchase of tangible fixed assets (after deducting £32,000 (1984 £77,000) sales proceeds from asset disposals)	(1,647)		(364)	
Dividends paid	(50)		(240)	
Tax paid	(245)		(263)	
Debentures redeemed	(13)		(4)	
		<u>(1,955)</u>		<u>(871)</u>
		<u>(1,197)</u>		<u>309</u>
(Increase) in working capital				
Stock	22		(635)	
Debtors	(562)		223	
Cash in hand	(1)		1	
Creditors	248		75	
		<u>(293)</u>		<u>(336)</u>
(Increase) in net bank borrowings		<u>(1,490)</u>		<u>(27)</u>

Accounting Policies

Financial period

These accounts are in respect of the 12 month period ended 31 May 1985 (1984 — 17 month period ended 31 May 1984).

Accounting convention

The consolidated accounts are prepared under the historical cost convention as modified by the revaluation of certain freehold land and buildings.

Consolidation

All subsidiary companies are wholly owned, accounts are made up to the same date as those of the parent company and are prepared in accordance with uniform accounting bases and policies.

Tangible fixed assets

Freehold land and buildings are stated at professional valuation undertaken in 1975, subsequent additions and all other fixed assets being shown at cost; government grants have been deducted in arriving at cost.

Depreciation

Fixed assets are depreciated over periods appropriate to their estimated lives. In general freehold buildings are depreciated over fifty years, plant and equipment over one to ten years and motor vehicles over three to five years.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership, ('finance leases') the assets are treated as capital additions and the corresponding leasing commitments are shown as obligations to the lessor.

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

Leasing payments are treated as consisting of capital and interest elements and the interest is charged to profit and loss account.

All other leases are 'operating leases' and the annual rentals are charged wholly to profit and loss account.

Stocks

Stocks and work in progress are stated at cost or net realisable value, whichever is the lower, and cost where appropriate includes a proportion of works overheads.

Deferred taxation

Deferred taxation is provided only in respect of timing differences between profits as computed for taxation purposes and profits as stated in the accounts to the extent that there is a reasonable probability that such deferred taxation will be payable within the foreseeable future. Timing differences are due primarily to the excess of UK accelerated taxation allowances on capital expenditure over the corresponding depreciation charged in the accounts.

No provision is made for the taxation liability which might arise on the gain that would be realised if the revalued land and buildings were disposed of at the amounts shown in the balance sheet. In view of the Group's policy of expansion and continuing ownership of its assets, such a liability is unlikely to arise in the foreseeable future.

Research and development expenditure

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred.

Notes to the Accounts

31 May 1985

1. Turnover

All turnover arises from the manufacture and distribution of pet products, represents sales to external customers and excludes Value Added Tax.

	12 months ended 31 May 1985 £000	17 months ended 31 May 1984 £000
Geographical analysis of turnover:		
UK	13,614	15,889
West Germany	321	436
Sweden	240	544
Rest of Europe	873	1,033
Rest of World	592	740
	<u>15,640</u>	<u>18,642</u>

2. Other operating expenses

	12 months ended 31 May 1985 £000	17 months ended 31 May 1984 £000
Distribution and selling costs	2,646	3,320
Administrative expenses	665	865
	<u>3,311</u>	<u>4,185</u>

Profit on ordinary activities before taxation is stated after charging/(crediting) the following amounts:

Depreciation	403	553
Hire of plant & machinery	70	73
Auditors' remuneration	17	15
Rents receivable (gross)	(19)	(29)
Surplus on debentures redeemed	(2)	(2)
Employee costs (see note 3)	2,160	2,787

3. Employee costs

	12 months ended 31 May 1985 £000	17 months ended 31 May 1984 £000
a) Particulars of employee costs including those of Directors:		
Wages and salaries	1,919	2,482
Social security costs	176	234
Other pension costs	65	71
	<u>2,160</u>	<u>2,787</u>

Notes to the Accounts *continued*

31 May 1985

3. Employee costs — continued	12 months ended 31 May 1985 £000	17 months ended 31 May 1984 £000
b) Directors' remuneration including pension contributions		
Fees	7	6
Other emoluments	132	181
Ex-gratia payment	—	50
	<u>139</u>	<u>237</u>
c) Details of Directors' remuneration, excluding pension contributions, are as follows:		
Chairman	<u>£29,858</u>	<u>£44,677</u>
Highest paid director	<u>£32,770</u>	<u>£39,765</u>
Analysis of other directors' remuneration		
Gross		
£0 - £5000	2	2
£10001 - £15,000	—	1
£25001 - £30000	2	1
£30001 - £35000	—	1
d) Average number of persons (including part time personnel) employed by the Group	<u>311</u>	<u>315</u>
All these persons were employed in the United Kingdom.		

4. Pension commitments

The Group operates pension schemes covering qualifying full-time employees including the executive directors. These schemes are financed through separate trustee-administered funds. Contributions are based upon actuarial advice following the most recent valuation of these funds.

5. Interest receivable	12 months ended 31 May 1985 £000	17 months ended 31 May 1984 £000
Income from deposit with Trustees for the Debenture Holders	<u>4</u>	<u>4</u>

Notes to the Accounts *continued*

31 May 1985

6. Interest payable	12 months ended 31 May 1985 £000	17 months ended 31 May 1984 £000
Bank interest	244	103
Debenture interest	14	21
Finance lease interest	8	—
	<u>266</u>	<u>124</u>

7. Tax on profit on ordinary activities	12 months ended 31 May 1985 £000	17 months ended 31 May 1984 £000
Corporation tax (credit)/charge:		
In respect of the taxable profit for the year at 44% (1984 — 50%)	(66)	358
In respect of prior periods	(23)	—
Deferred taxation	<u>200</u>	<u>—</u>
	<u>111</u>	<u>358</u>

The Corporation tax charge has been reduced by £206,000 as a result of an excess of capital allowances over (1984 — £101,000 increased charge).

8. Dividends	12 months ended 31 May 1985 £000	17 months ended 31 May 1984 £000
On 400,000 ordinary shares:		
Interim of 30p per share paid 9 May 1984	—	120
Proposed final of 30p (1984 — 12.5p) per share	<u>120</u>	<u>50</u>
	<u>120</u>	<u>170</u>

9. Earnings per ordinary share

The calculation of earnings per ordinary share is based on profit of £247,000 (1984 — £286,000), divided by 400,000 being the number of ordinary shares in issue throughout the year.

10. Armitage Brothers plc — profit and loss account

Armitage Brothers plc has not presented its own profit and loss account as permitted by Section 228 (7) of the Companies Act 1985. The amount of the consolidated profit for the financial year dealt with in the accounts of the holding company is £244,000 (1984 — £296,000).

Notes to the Accounts *continued*

31 May 1985

11. Tangible fixed assets

	Land & buildings £000	Machinery equipment & vehicles £000	Total £000
<i>a) Movement during year - Group</i>			
<i>Cost or valuation</i>			
At 31 May 1984	1,111	2,500	3,611
Additions	1,069	610	1,679
Disposals	—	(79)	(79)
At 31 May 1985	<u>2,180</u>	<u>3,031</u>	<u>5,211</u>
<i>Accumulated depreciation</i>			
At 31 May 1984	133	1,505	1,638
Charge for the year	22	381	403
Disposals	—	(48)	(48)
At 31 May 1985	<u>155</u>	<u>1,838</u>	<u>1,993</u>
<i>Net book amount</i>			
At 31 May 1985	<u>2,025</u>	<u>1,193</u>	<u>3,218</u>
At 31 May 1984	<u>978</u>	<u>995</u>	<u>1,973</u>
<i>b) At 31 May 1985 - Group</i>			
	Cost or valuation £000	Depre- ciation £000	Net book amount £000
Freehold land and buildings	2,180	155	2,025
Machinery, equipment & vehicles at cost	3,031	1,838	1,193
	<u>5,211</u>	<u>1,993</u>	<u>3,218</u>

The net book amount at 31 May 1985 includes leased machinery and equipment having a net book amount of £174,000. Depreciation charged on leased machinery and equipment during the year to 31 May 1985 was £14,000.

Cost or valuation of freehold land and buildings comprises:

Assets revalued in 1975	712
Others stated at cost	<u>1,468</u>
	<u>2,180</u>

Comparable amounts for the revalued freehold land and buildings under the historical cost convention would be:

At 31 May 1985	<u>506</u>	<u>68</u>	<u>438</u>
At 31 May 1984	<u>506</u>	<u>64</u>	<u>442</u>

Future capital expenditure

Contracted for but not provided for in the accounts — £67,000 (1984 — £NIL). Authorised by the Directors but not contracted for — £NIL (1984 — £1,500,000).

Notes to the Accounts *continued*

31 May 1985

11. Tangible fixed assets -- continued

	Land & buildings £000	Machinery equipment & vehicles £000	Total £000
<i>c) Movements during year -- Company</i>			
<i>Cost or valuation</i>			
At 31 May 1984	934	2,337	3,271
Additions	1,069	590	1,659
Disposals	—	(73)	(73)
At 31 May 1985	<u>2,003</u>	<u>2,854</u>	<u>4,857</u>
<i>Accumulated depreciation</i>			
At 31 May 1984	125	1,432	1,557
Charge for the year	21	356	377
Disposals	—	(45)	(45)
	<u>146</u>	<u>1,743</u>	<u>1,889</u>
<i>Net book amount</i>			
At 31 May 1985	<u>1,857</u>	<u>1,111</u>	<u>2,968</u>
At 31 May 1984	<u>809</u>	<u>905</u>	<u>1,714</u>

d) At 31 May 1985 -- Company

	Cost or valuation £000	Depre- ciation £000	Net book amount £000
Freehold land and buildings	2,003	146	1,857
Machinery, equipment & vehicles at cost	2,854	1,743	1,111
	<u>4,857</u>	<u>1,889</u>	<u>2,968</u>

The net book amount at 31 May 1985 includes leased machinery and equipment having a net book amount of £174,000. Depreciation charged on leased machinery and equipment during the year to 31 May 1985 was £14,000.

Cost or valuation of freehold land and buildings comprises:

Assets revalued in 1975
Others stated at cost

614
1,389
2,003

Comparable amounts for the revalued freehold land and buildings under the historical cost convention would be:

At 31 May 1985	<u>427</u>	<u>68</u>	<u>359</u>
At 31 May 1984	<u>427</u>	<u>64</u>	<u>363</u>

Notes to the Accounts *continued*

31 May 1985

12. Investments — included in fixed assets	Group	Company		
	Deposit with Trustees for the Debenture Holders £000	Deposit with Trustees for the Debenture Holders £000	Shares in subsidiaries £000	Total £000
Cost				
At 31 May 1984 and 31 May 1985	32	32	739	771
Provision for diminution in value				
At 31 May 1984 and 31 May 1985	—	—	470	470
Net book amount				
At 31 May 1984 and 31 May 1985	<u>32</u>	<u>32</u>	<u>269</u>	<u>301</u>

13. Stocks	Group		Company	
	1985 £000	1984 £000	1985 £000	1984 £000
Raw materials	807	758	600	598
Work in progress	355	184	16	22
Finished goods	<u>1,386</u>	<u>1,628</u>	<u>1,394</u>	<u>1,642</u>
	<u>2,548</u>	<u>2,570</u>	<u>2,010</u>	<u>2,262</u>

14. Debtors	Group		Company	
	1985 £000	1984 £000	1985 £000	1984 £000
Trade debtors	2,677	2,123	2,677	2,123
Amounts owed by Group companies	—	—	675	471
Other debtors	126	112	123	111
Prepayments and accrued income	40	45	31	33
Corporation Tax recoverable	<u>16</u>	<u>—</u>	<u>31</u>	<u>—</u>
	<u>2,859</u>	<u>2,280</u>	<u>3,537</u>	<u>2,738</u>

Notes to the Accounts *continued*

31 May 1985

15. Creditors	Group		Company	
	1985 £000	1984 £000	1985 £000	1984 £000
a) Amounts falling due within one year				
Bank overdrafts	2,535	1,045	2,517	1,024
Trade creditors	827	916	776	849
Amounts owed to Group Companies	—	—	279	279
Advance Corporation Tax	51	21	51	21
Corporation Tax	—	259	—	252
Value Added Tax	100	142	87	136
Social security and PAYE	113	58	109	51
Accrued charges	425	297	420	293
Proposed dividend	120	50	120	50
Other creditors	34	10	8	10
Leased assets	38	—	38	—
	<u>4,243</u>	<u>2,798</u>	<u>4,405</u>	<u>2,965</u>

Bank overdrafts

These borrowings are partly secured by a fixed charge on the freehold property of a subsidiary company and a floating charge on the undertaking, property and assets of Armitage Brothers Plc.

b) Amounts falling due after more than one year

7½% Debenture Stock 1985/90	184	199	184	199
Corporation Tax	—	59	—	52
Leased assets	<u>135</u>	<u>—</u>	<u>135</u>	<u>—</u>
	<u>319</u>	<u>258</u>	<u>319</u>	<u>251</u>

Debenture stock

- a) The Debenture Stock is secured by a first mortgage charge on certain of the freehold properties and by a floating charge on the undertakings and assets, present and future, of Armitage Brothers Plc and of its subsidiaries. Interest is payable at 7½% per annum.
- b) Under the terms of the debenture trust deed the company is required to establish in each year to 30 November a non-cumulative sinking fund of £5,000 and to apply the same towards the redemption of stock; the company may also purchase stock on the open market at any time. Stock redeemed or purchased shall be cancelled and shall not be available for re-issue and any stock outstanding at 30 November 1990 will be repaid at par.
- c) Proceeds of sales of specifically mortgaged properties must be deposited with the Trustees, but at their discretion such sums can be withdrawn by the company for re-investment in fixed assets. At 31 May 1985 the balance on deposit amounted to £31,900 (1984 — £31,900).

Notes to the Accounts *continued*

31 May 1985

16. Deferred taxation	Group		Company	
	1985 £000	1984 £000	1985 £000	1984 £000
Accelerated capital allowances	500	300	500	300
Advance Corporation Tax recoverable	(51)	(21)	(51)	(21)
	<u>449</u>	<u>279</u>	<u>449</u>	<u>279</u>

The total potential liability for taxation deferred by all timing differences is £703,000 (1984 — £474,000) in terms of a tax rate of 35% (1984 — 35%) and relates principally to accelerated capital allowances.

17. Called up share capital

There has been no change during the year to the authorised and issued share capital which at 31 May 1984 and 31 May 1985 comprised:

Shares of £1 each:	£000
Authorised	<u>500</u>
Allotted and fully-paid	<u>400</u>

Group Financial Summary

Sales and Profits

	1985 12 months £000	1984 17 months £000	1982 12 months £000	1981 12 months £000	1980 12 months £000
Turnover	15,640	18,642	12,164	10,450	9,450
Operating Profit	620	764	659	524	569
Interest	262	120	133	71	143
Profit before taxation	358	644	526	453	426
Taxation charge	111	358	224	66	82
Profit before extraordinary items	247	286	302	387	344
Extraordinary items	—	—	—	116	—
Profit after taxation and extraordinary items	247	286	302	271	344
Dividends	120	170	120	108	98
Profit retained	127	116	182	163	246

Capital Employed

	1985 31 May £000	1984 31 May £000	1982 31 December £000	1981 31 December £000	1980 31 December £000
Assets employed					
Tangible assets	3,218	1,973	2,147	2,022	1,841
Investments	32	32	32	32	32
Net current assets	1,171	2,058	1,919	1,718	1,739
	<u>4,421</u>	<u>4,063</u>	<u>4,098</u>	<u>3,772</u>	<u>3,612</u>
 Creditors (over one year)	 (319)	 (258)	 (388)	 (244)	 (247)
Deferred taxation	(449)	(279)	—	—	—
	<u>3,653</u>	<u>3,526</u>	<u>3,710</u>	<u>3,528</u>	<u>3,365</u>
 Financed by					
Ordinary capital	400	400	400	400	400
Reserves	3,253	3,126	3,310	3,128	2,965
	<u>3,653</u>	<u>3,526</u>	<u>3,710</u>	<u>3,528</u>	<u>3,365</u>

Subsidiary Companies

1. All subsidiary companies are wholly owned by Armitage Brothers plc.
2. All subsidiary companies are incorporated in England, except R Aitchison & Company Limited which is incorporated in Scotland.
3. Arrangements have been made to complete the divisionalisation of the group by the transfer by Armitage Brothers plc, with effect from 1 June 1985, to its wholly-owned subsidiary Rathburn Products Limited, of the whole of its business and undertaking with the exception of land and buildings, and for Armitage Brothers plc to act as agent for Rathburn Products Limited in conducting the business on its behalf.

The name of Rathburn Products Limited is being changed to Armitages Pet Products Limited.

4. The following subsidiary companies no longer trade:

R Aitchison & Company Limited
Armfoods Limited
Capocci Confectioners Limited
Capocci Snack Bars Limited
C J Croshaw & Company Limited
The Courtyard Restaurant Limited
Empire Cafes (Nottingham) Limited
Fins & Wings Limited
Good Boy Pet Foods Limited
Singleton Bros. (Electronics) Limited
C Smith & Sons (Confectioners) Limited
R C Smith (Westdale) Limited
Standhill Garage Limited
Woodside Animal Foods Limited