

**Brook House Agriculture Limited**

Consolidated financial statements

Registered number 03306742

31 July 2004



## **Contents**

Directors' report	1
Statement of directors' responsibilities	3
Independent auditors' report to the members of Brook House Agriculture Limited	4
Consolidated profit and loss account	5
Consolidated balance sheet	6
Company balance sheet	7
Consolidated cash flow statement	8
Notes	9

## **Directors' report**

The directors submit their report and the audited financial statements of the group for the year ended 31 July 2004.

### **Principal activity**

The group specialises in advising farmers and supplying arable inputs and animal health products.

### **Results and dividends**

The Company has had another satisfactory year in spite of the changing conditions underpinning the agricultural economy in the UK.

The company's operating profit for the year was £1,584,000 (2003: £1,505,000) and interest income of £204,000 (2003: £129,000). The previous year benefited from profits before tax on property disposal of £1,794,000 with no corresponding profit this year. The overall profit on ordinary activities for the year after taxation was £1,304,000 (2003: £2,469,000). Dividends of £159,000 (2003: £151,000) were paid during the year.

### **Directors and shareholders**

The directors of the company during the period and their interests in the ordinary shares of the company at 31 July were as follows:

	<b>'B' ordinary shares</b>	
	<b>31 July 2004</b>	<b>31 July 2003</b>
	<b>Number</b>	<b>Number</b>
NDS Brown and PFS Brown (non-beneficial)	<b>18,026</b>	18,026
NDS Brown	<b>22,543</b>	22,543
PFS Brown	<b>16,772</b>	16,772
JRC Harris	<b>3,175</b>	3,175

Beneficial interests include those of spouses and infant children.

The directors do not have any shareholdings in the share capital of the subsidiary undertakings.

### **Land and buildings**

The directors are of the opinion that the market value of the land and buildings is in excess of the net book value, but in the absence of a recent valuation the amount of the excess is not quantified.

## **Directors' report** *(continued)*

### **Employee involvement**

It is the policy of Brook House Agriculture Limited to keep group employees fully informed on matters affecting them as employees and to make them aware of the financial and economic factors influencing the group's performance. This is done through announcements and briefings.

Applications for employment by disabled persons are fully and fairly considered having regard to the aptitudes and abilities of the applicant. Training and career opportunities are available to all employees and in the event of an employee developing a disability, every effort is made to ensure that their employment within the group continues and that they receive suitable retraining.

### **Auditors**

A resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'KJ Matthews', with a stylized flourish at the end.

**KJ Matthews**  
*Secretary*

8 November 2004

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and group and of the profit or loss 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



**KPMG LLP**

St Nicholas House  
Park Row  
NOTTINGHAM  
NG1 6FQ

**Independent auditors' report to the members of Brook House Agriculture Limited**

We have audited the financial statements on pages 5 to 17.

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**

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 group is not disclosed.

**Basis of audit 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 group'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 affairs of the company and group as at 31 July 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG LLP*

*Chartered Accountants  
Registered Auditor*

8 November 2004

**Consolidated profit and loss account**  
*for the year ended 31 July 2004*

	<i>Note</i>	<b>2004</b> <b>£000</b>	<b>2003</b> <b>£000</b>
<b>Turnover</b>			
Cost of sales	2	33,461 (30,074)	30,261 (26,955)
<b>Gross profit</b>			
Net operating expenses	3	3,387 (1,803)	3,306 (1,801)
<b>Operating profit</b>			
Profit on property disposals		1,584	1,505
Interest receivable		-	1,794
		204	129
<b>Profit on ordinary activities before taxation</b>	4	1,788	3,428
Tax on profit on ordinary activities	7	(484)	(959)
<b>Profit on ordinary activities after taxation</b>			
Dividends paid	8	1,304 (159)	2,469 (151)
<b>Retained profit for the year</b>	16	1,145	2,318

In both the current and preceding years, the group made no material acquisitions and had no discontinued operations.

There were no recognised gains or losses in either the current or preceding year other than those disclosed in the profit and loss account.

**Consolidated balance sheet**  
*as at 31 July 2004*

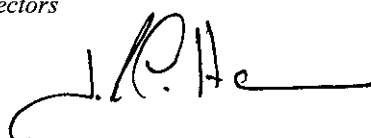
	Note	2004 £000	2003 £000
<b>Fixed assets</b>			
Tangible assets	9	1,436	1,675
<b>Current assets</b>			
Stocks	11	1,552	1,584
Debtors	12	5,844	6,157
Cash at bank and in hand		4,653	3,383
		<u>12,049</u>	<u>11,124</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(6,226)</u>	<u>(6,685)</u>
<b>Net current assets</b>		<u>5,823</u>	<u>4,439</u>
<b>Total assets less current liabilities</b>		<u>7,259</u>	<u>6,114</u>
<b>Provisions for liabilities and charges</b>	14	<u>(66)</u>	<u>(66)</u>
<b>Net assets</b>		<u>7,193</u>	<u>6,048</u>
<b>Capital and reserves</b>			
Called up share capital	15	76	76
Merger reserve		1,753	1,753
Profit and loss account	16	5,364	4,219
<b>Equity shareholders' funds</b>	17	<u>7,193</u>	<u>6,048</u>

These financial statements were approved by the board of directors on 8 November 2004 and were signed on its behalf by:

NDS Brown



JRC Harris  
Directors





**Company balance sheet**  
*as at 31 July 2004*

	Note	2004 £000	2003 £000
<b>Fixed assets</b>			
Investments	10	126	126
<b>Current assets</b>			
Debtors	12	14	2
Cash at bank and in hand		3,488	-
		<u>3,502</u>	<u>2</u>
<b>Creditors: amounts falling due within one year</b>	13	(11)	-
<b>Net current assets</b>		<u>3,491</u>	<u>2</u>
<b>Net assets</b>		<u>3,617</u>	<u>128</u>
<b>Capital and reserves</b>			
Called up share capital	15	76	76
Profit and loss account	16	3,541	52
<b>Equity shareholders' funds</b>	17	<u>3,617</u>	<u>128</u>

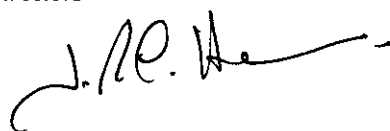
These financial statements were approved by the board of directors on 8 November 2004 and were signed on its behalf by:

NDS Brown



JRC Harris

Directors



**Consolidated cash flow statement**  
*for the year ended 31 July 2004*

	<i>Note</i>	<b>2004</b>		<b>2003</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Net cash inflow from operating activities</b>	<i>18</i>		<b>2,280</b>		<b>977</b>
<b>Returns on investments and servicing of finance</b>					
Interest received			<b>204</b>		<b>129</b>
<b>Taxation</b>			<b>(1,031)</b>		<b>(676)</b>
<b>Capital expenditure</b>					
Purchase of tangible fixed assets		<b>(228)</b>		<b>(277)</b>	
Receipts from sales of tangible fixed assets		<b>204</b>		<b>2,219</b>	
			<b>(24)</b>		<b>1,942</b>
<b>Equity dividends paid</b>			<b>(159)</b>		<b>(151)</b>
<b>Increase in cash in the period</b>	<i>19</i>		<b>1,270</b>		<b>2,221</b>

## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

#### ***Accounting convention***

These financial statements have been prepared on a going concern basis and in accordance with applicable accounting standards.

#### ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of Brook House Agriculture Limited and its subsidiary companies for the period ended 31 July 2004. A separate profit and loss account dealing with the results of the holding company has not been presented in accordance with Section 230 of the Companies Act 1985.

#### ***Depreciation***

Freehold buildings are not depreciated as the annual depreciation charge would be insignificant. The directors perform regular impairment reviews and following such a review at 31 July 2004 are of the opinion that the market value of the buildings would exceed the net book value attributed in the financial statements.

Other assets have been depreciated in equal annual instalments over their expected useful lives, at the following rates:

Computer equipment	3 - 5 years
Warehouse and spraying equipment	4 - 10 years
Office equipment	4 - 10 years
Motor vehicles	4 years
Property improvements	10 years

#### ***Stock***

Stocks are valued at the lower of cost and net realisable value. Cost is determined as net invoiced average cost including, where appropriate, net haulage and storage costs.

#### ***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### ***Operating leases***

Rentals under operating leases are charged to the profit and loss account as they are incurred.

#### ***Pension costs***

Contributions to the group pension scheme are based on the advice of actuaries. Contributions are charged to the profit and loss account on a basis that spreads the expected cost of providing pensions over the service lives of the members.

## Notes (continued)

### 2 Turnover

Turnover represents the invoiced amount of goods sold and services provided exclusive of value added tax and has been made wholly in respect of the principal activity of the group.

### 3 Net operating expenses

	2004 £000	2003 £000
Distribution costs	1,129	1,057
Administrative expenses	674	744
	<u>1,803</u>	<u>1,801</u>

### 4 Profit on ordinary activities before taxation

	2004 £000	2003 £000
<i>The profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation	272	288
Leasing and hire of equipment	8	40
Auditors' remuneration - for audit services	33	26
- for other services	3	3
Profit on disposal of fixed assets	(4)	(1,765)
	<u></u>	<u></u>

### 5 Particulars of staff

	2004 Number	2003 Number
<i>The average number of persons (including directors) employed by the group during the year was as follows:</i>		
Sales	54	57
Other	50	51
	<u>104</u>	<u>108</u>
	<u>£000</u>	<u>£000</u>
<i>The aggregate payroll costs of these persons were as follows:</i>		
Wages and salaries	3,512	3,281
Social security costs	359	298
Other pension and related costs	410	392
	<u>4,281</u>	<u>3,971</u>

## Notes (continued)

### 6 Remuneration in respect of directors of the company

	2004 £000	2003 £000
Directors' emoluments	306	346

The aggregate of emoluments and amounts receivable of the highest paid director was £178,000 (2003: £187,000). He is a member of a defined benefit scheme, under which the accrued pension to which he would be entitled from normal retirement date if he were to retire at the year end, was £72,000 (2003: £70,000), and his accrued lump sum was £nil (2003: £nil).

	Number	Number
<i>Retirement benefits are accruing to the following number of directors under:</i>		
Defined benefit schemes	2	2

### 7 Tax on profit on ordinary activities

	2004 £000	2003 £000
<i>The taxation charge for the year represents:</i>		
UK corporation tax at 30% (2003: 30%)	534	935
Adjustment in respect of prior years	(50)	(16)
Total current tax	484	919
Deferred taxation	-	40
	484	959

#### *Factors affecting the tax charge for the current year*

The current tax charge for the year is £53,000 lower (2003: £109,000 lower) than the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are explained below:

	2004 £000	2003 £000
<i>Current tax reconciliation:</i>		
Profit on ordinary activities before tax	1,788	3,428
Current tax charge at 30% (2003: 30%)	536	1,028
<i>Effects of:</i>		
Permanent differences	11	7
Difference between capital allowances and depreciation	(4)	6
Non taxable gains	-	(101)
Other timing differences	(9)	(11)
Adjustments to tax charge in respect of previous periods	(50)	(10)
Total current tax charge	484	919

## Notes (continued)

### 8 Dividends paid

	2004 £000	2003 £000
<i>Dividends paid in the year were as follows:</i>		
Ordinary 'B' shares:		
Dividends paid	159	151

### 9 Tangible assets

Group	Freehold land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
<i>Cost or valuation:</i>				
At 1 August 2003	1,021	1,574	868	3,463
Additions	-	60	173	233
Disposals	(164)	(116)	(163)	(443)
At 31 July 2004	857	1,518	878	3,253
<i>Accumulated depreciation:</i>				
At 1 August 2003	-	1,255	533	1,788
Charge for the year	-	123	149	272
Disposals	-	(116)	(127)	(243)
At 31 July 2004	-	1,262	555	1,817
<i>Net book value:</i>				
At 31 July 2004	857	256	323	1,436
At 31 July 2003	1,021	319	335	1,675

### 10 Investments

	Company 2004 £000	2003 £000
Shares in group undertakings	126	126

*Shares in group undertakings represent the cost of the following wholly owned subsidiary undertakings:*

	Principal activity during the year
Brown Butlin Group Limited	Supply of agricultural inputs
Farmacy plc	Agricultural advisory services

Both companies are incorporated in Great Britain, registered in England and Wales and have been included in the consolidation.

Stocks wholly comprise goods for resale. It includes consignment stocks valued at £798,000 (2003:£ 402,000) for which the liability is included in creditors.

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Amounts owed by group undertakings	-	-	2	2
Trade debtors	4,476	4,905	-	-
Other debtors	1,201	878	12	-
Prepayments and accrued income	167	374	-	-
	<u>5,844</u>	<u>6,157</u>	<u>14</u>	<u>2</u>

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Trade creditors	5,273	5,332	-	-
Other creditors including taxation and social security	493	1,043	11	-
Accruals and deferred income	460	310	-	-
	<u>6,226</u>	<u>6,685</u>	<u>11</u>	<u>-</u>
<i>Other creditors including taxation and social security include:</i>				
Corporation tax payable	115	662	11	-
Taxation and social security payable	372	375	-	-

<b>Deferred taxation</b>	<b>Group</b>	<b>£000</b>
Balance brought forward		66
Charge to profit and loss account in the year		-
		<hr/>
Balance carried forward		<b>66</b>
		<hr/> <hr/>

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
<b><i>Deferred taxation</i></b>	<b>£000</b>	<b>£000</b>
Accelerated capital allowances	<b>66</b>	66

13

**Notes (continued)**

**15 Called up share capital**

	<b>Group and Company</b>	
	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Authorised share capital	<b>200,000</b>	200,000
<i>Allotted and fully paid:</i>		
'B' ordinary shares of £1 each	<b>75,754</b>	75,754

**16 Profit and loss account**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At beginning of year	<b>4,219</b>	1,901	<b>52</b>	52
Retained profit for the year	<b>1,145</b>	2,318	<b>3,489</b>	-
At end of year	<b>5,364</b>	4,219	<b>3,541</b>	52

**17 Reconciliation of movements in shareholders' funds**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Profit for the financial year	<b>1,304</b>	2,469	<b>3,648</b>	151
Dividends	<b>(159)</b>	(151)	<b>(159)</b>	(151)
Net addition to shareholders' funds	<b>1,145</b>	2,318	<b>3,489</b>	-
Opening shareholders' funds	<b>6,048</b>	3,730	<b>128</b>	128
Closing shareholders' funds	<b>7,193</b>	6,048	<b>3,617</b>	128

**18 Reconciliation of operating profit to net cash inflow from operating activities**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Operating profit	<b>1,584</b>	1,505
Sale of properties	-	1,794
Depreciation charge	<b>272</b>	288
Profit on sale of tangible fixed assets	<b>(4)</b>	(1,765)
Decrease in stocks	<b>32</b>	179
Decrease in debtors	<b>313</b>	1,163
Increase/(decrease) in creditors	<b>83</b>	(2,187)
Net cash inflow from operating activities	<b>2,280</b>	977



## Notes (continued)

### 19 Analysis of net funds

	At 31 July 2003 £000	Cash inflow £000	At 31 July 2004 £000
Cash at bank and in hand	3,383	1,270	4,653

### 20 Reconciliation of net cash flow to movement in net funds

	2004 £000	2003 £000
Increase in cash in the period	1,270	2,221
Opening net funds	3,383	1,162
Closing net funds	4,653	3,383

### 21 Financial commitments

#### Operating leases - Group

	Land and buildings		Other	
	2004 £000	2003 £000	2004 £000	2003 £000
<i>Lease payments due within one year relating to leases which terminate within:</i>				
- one year	11	12	-	-
- two to five years	43	42	-	-
	54	54	-	-

### 22 Pensions

The company is a member of the Brown Butlin Group Limited Retirement Benefit scheme which is a funded defined benefit pension scheme. The assets of the scheme are held independently from the company's finances. The assets are administered by the Trustee and valued by professionally qualified actuaries at least every three years.

Contributions to the scheme amounted to £301,000 (2003: £274,000). There were no amounts outstanding at the year end.

For the period from 1 August 2003 to 31 July 2004 members of the scheme contributed at a rate of 5% and the employer contribution rate was 12% of pensionable salaries..

Whilst the group continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs' under FRS 17 'Retirement benefits' the following transitional disclosures are required:

## Notes (continued)

### 23 Pensions (continued)

The actuarial valuation as at 1 April 2002 was updated to 31 July 2004 on an approximate basis by a qualified actuary. The major assumptions used by the actuary were:

	% per annum 2004	% per annum 2003	% per annum 2002
Rate of increase in salaries	4.0	4.0	4.0
Rate of increase in pensions in payment (services after 5 April 1997)	3.0	2.6	2.6
Discount rate	5.8	5.8	5.8
Inflation assumption	3.0	2.6	2.6

The assets in the scheme and the expected rate of return are shown in the table below, along with the present value of the scheme liabilities and the surplus in the scheme:

	Expected rate of return %	Value at 2004 £000	Expected rate of return %	Value at 2003 £000	Expected rate of return %	Value at 2002 £000
Equities	6.0	9,653	6.0	9,119	6.0	11,532
Bonds	5.0	1,792	5.0	1,434	5.0	1,866
Other	4.0	7,533	4.0	7,579	4.0	4,499
Total market value of assets		18,978		18,132		17,897
Present value of scheme liabilities		(17,200)		(15,798)		(14,804)
Surplus		1,778		2,334		3,093

#### Movement in surplus during the year

	2004 £000	2003 £000
Surplus in Scheme at beginning of the year	2,334	3,093
Movement in year:		
Charge to operating profit	(424)	(383)
Employer contributions	301	274
(Charge)/credit to other financial income	(11)	90
Actuarial loss	(422)	(740)
Surplus in scheme at end of the year	1,778	2,334

If FRS 17 had been fully adopted during the year, the impact would have been as follows:

#### Analysis of amount charged to operating profit

	2004 £000	2003 £000
Current service cost	424	383
Total	424	383

## Notes (continued)

### 23 Pensions (continued)

#### *Analysis of amount(charged)/ credited to other financial income*

	2004 £000	2003 £000
Expected return on Scheme assets	920	964
Interest on Scheme liabilities	(931)	(874)
<b>Net (charge)/credit</b>	<b>(11)</b>	<b>90</b>

#### *Analysis of amount recognised in statement of total recognised gains and losses (STRGL)*

	2004 £000	2003 £000
Actual return less expected return on Scheme assets	(16)	(688)
Experience gain arising on the Scheme liabilities	(89)	(52)
Loss arising from changes in assumptions underlying present value of scheme liabilities	(317)	-
<b>Actuarial loss recognised in STRGL</b>	<b>(422)</b>	<b>(740)</b>

#### *History of experience gains and losses*

	2004 £000	2003 £000
Difference between the expected and actual return on Scheme assets:		
Amount	(16)	(688)
% of Scheme assets	0%	4%
Experience loss on Scheme liabilities:		
Amount	(89)	(52)
% of the present value of the Scheme liabilities	1%	0%
Total amount of loss recognised in statement of total recognised gains and losses:		
Amount	(422)	(740)
% of the present value of the Scheme liabilities	2%	5%

### 23 Related party transactions

The group made the following transactions with companies under common control on an arms length basis:

	2004 £000	2003 £000
Sales to Loveden Estates Limited	303	314

At the year end the balances outstanding between companies under common control were:

	£000	£000
Amounts due from Loveden Estates Limited	27	28

The company has taken advantage of the exemption in FRS 8 'Related Party Disclosures' and not disclosed transactions or balances with entities that are part of the group.