

CULFARGIE ESTATES LIMITED

FINANCIAL STATEMENTS

31ST MARCH 1996

Registered number: 12977

BRODIES W. S.

ACCOUNTANCY & TAXATION DEPARTMENT

EDINBURGH

EH3 8HA





CULFARGIE ESTATES LIMITED

FINANCIAL STATEMENTS

for the year ended 31st March 1996

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The following pages do not form part of the statutory accounts

17-27	Detailed trading and profit and loss accounts
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CULFARGIE ESTATES LIMITED

COMPANY INFORMATION

31st March 1996

Incorporated in Scotland on 15th January 1924

Number 12977

DIRECTORS

C.S.R. Stroyan
P.H. Lawson

SECRETARY

R.W. Page

REGISTERED OFFICE

Tarrylaw,
Balbeggie,
Perthshire.
PH2 6NJ

BANKERS

The Royal Bank of Scotland plc.
131 South Street,
Perth,
PH2 8PQ

SOLICITORS

Brodies, W.S.
15 Atholl Crescent,
Edinburgh,
EH3 8HA

AUDITORS

Scott-Moncrieff,
Chartered Accountants
17 Melville Street,
Edinburgh,
EH3 7PH.

CULFARGIE ESTATES LIMITED

DIRECTORS' REPORT

31st March 1996

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

Principal activity

The principal activity of the company continued to be that of a farming and property holding company.

Business review

The company's balance sheet as detailed on page 5 shows a satisfactory position, shareholders' funds amounting to £2,504,510. A substantial increase in turnover was achieved in the Farming sector, as a result of the high levels of crop support, cattle and sheep subsidies received and an increase in cattle and sheep sales. Crop sales were lower due to unsold stocks, but this was compensated for by the success of the new contract baling enterprise. Costs have again been contained, resulting in a profitable year. The turnover in the property sector was affected by reduced timber sales and forestry grants which fluctuate year by year. However, sporting and house rents have increased and property maintenance costs have been reduced resulting in a reduction in the loss in this sector.

Although the value of the trading cattle stock has been marked down due to the BSE crisis, which has created a difficult short-term market, the directors are confident that the long-term prospects for the beef industry are good. Accordingly no provision has been made for a reduction in the value of breeding cattle subject to the herd basis rules.

Negotiations continue regarding the siting of a wind farm and it is hoped that the lease details will be finalised during the next financial year. In addition, the company will commence a new vegetable growing enterprise on a trial basis.

Profit, dividends and appropriations

The results for the year are shown in the profit and loss account on page 4. The directors do not propose payment of an ordinary dividend, the profit for the year is to be transferred to reserves.

Fixed assets

Changes in fixed assets during the year are set out in note 8 to the accounts.

Directors

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows

Directors

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows

	31st March 1996 Ordinary shares	1st April 1995 Ordinary shares
C.S.R. Stroyan	-	-
P.H. Lawson	-	-

continued

CULFARGIE ESTATES LIMITED

DIRECTORS' REPORT
(continued)

31st March 1996

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:-


- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 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 of fraud and other irregularities.

Auditors

Scott-Moncrieff, C.A. have agreed to offer themselves for re-appointment as auditors of the company.

On behalf of the board


R.W. Page
Secretary

15 Atholl Crescent,
EDINBURGH, EH3 8HA

17th July

1996

CULFARGIE ESTATES LIMITED

AUDITORS' REPORT

Auditors' report to the members of

Culfargie Estates Limited

We have audited the financial statements on pages 4 to 16(a) which have been prepared under the historical cost convention except for freehold land which is stated at valuation and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2(a), 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 error or other irregularity. 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 as at 31st March 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Scott-Moncrieff

SCOTT-MONCRIEFF
Chartered Accountants
Registered Auditor
17 Melville Street
Edinburgh
EH3 7PH

17 July

1996

PROFIT AND LOSS ACCOUNT

for the year ended 31st March 1996

	Note	1996 £	1995 £
Turnover - continuing operations	2	1,272,208	1,144,668
Cost of sales		(520,656)	(528,071)
Gross profit		751,552	616,597
Administrative expenses		(648,844)	(684,253)
Other operating income	5	-	9,859
Operating profit/(loss)	3	102,708	(57,797)
Interest payable	6	(80,022)	(81,759)
Purchase of SAP quota		-	(9,955)
Profit/(loss) on ordinary activities before taxation	2	22,686	(149,511)
Taxation	7	(3,000)	9,800
Profit/(loss) on ordinary activities after taxation	17	19,686	(139,711)

Other movements in reserves are shown in notes 16 to 17

The notes on pages 7 to 16(a) form part of these financial statements.

Statement of total recognised gains and losses

Profit/(loss) for the financial year	19,686	(139,711)
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There is no difference between the profit/(loss) on ordinary activities for the period stated above and its historical cost equivalent.

BALANCE SHEET

at 31st March 1996

	Note	1996 £	1995 £
Fixed assets			
Tangible assets	8	6,681,312	6,614,502
Investments	9	5,496	5,116
		<u>6,686,808</u>	<u>6,619,618</u>
Current assets			
Stocks	10	357,379	292,811
Debtors	11	1,126,979	1,202,867
Cash at bank and in hand		230	230
		<u>1,484,588</u>	<u>1,495,908</u>
Creditors: amounts falling due within one year	12	(5,023,931)	(5,010,429)
Net current liabilities		<u>(3,539,343)</u>	<u>(3,514,521)</u>
Total assets less current liabilities		<u>3,147,465</u>	<u>3,105,097</u>
Creditors: amounts falling due after more than one year	13	(642,955)	(620,273)
		<u>2,504,510</u>	<u>2,484,824</u>
Capital and reserves			
Called up share capital	15	42,500	42,500
Revaluation reserve	16	2,983,260	2,983,260
Profit and loss account	17	(521,250)	(540,936)
		<u>2,504,510</u>	<u>2,484,824</u>

The financial statements on pages 4 to 16(a)
were approved by the board of directors
on 17th July 1996

C.S.R. Stroyan *C.S.R. Stroyan* Director

The notes on pages 7 to 16(a) form part of these financial statements.

CULFARGIE ESTATES LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH 1996

		<u>1996</u>		<u>1995</u>	
	<u>Note</u>	£	£	£	£
Net cash inflow from operating activities	20		170,429		16,473
Returns on investments and servicing of finance					
Interest paid		(73,825)		(76,215)	
Hire purchase interest		(6,333)		(5,544)	
Net cash outflow from returns on investments and servicing of finance			(80,158)		(81,759)
Taxation			-		-
Investing activities					
Payments to acquire:					
Tangible fixed assets		(91,189)		(114,039)	
Fixed asset investments		(380)		(333)	
		(91,569)		(114,372)	
Receipts from sales of:					
Tangible fixed assets		7,551		31,903	
			(84,018)		(82,469)
Net cash inflow/(outflow) before financing			6,253		(147,755)
Financing					
Capital element of finance lease payments		(54,833)		(48,158)	
Fellow subsidiaries		142,698		288,702	
Exceptional items - Quota purchases		-		(9,955)	
Net cash inflow from financing			87,865		230,589
Increase in cash and cash equivalents			94,118		82,834

See note 20 for the notes to this statement

NOTES ON FINANCIAL STATEMENTS

31st March 1996

1 Accounting Policies**Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting convention except for freehold property which is stated at valuation.

Going Concern

The financial statements have been prepared on a normal going concern basis as an undertaking has been received from the directors of all group companies that they have no present intention of enforcing payment of the outstanding balances on their loan accounts.

Depreciation

Depreciation is calculated to write off the cost or valuation of all fixed assets over their estimated useful lives as follows:

Plant and machinery	5 - 25%
Motor vehicles	20 - 25%

Depreciation is provided on leased assets to write off the fair value less estimated residual value over the lease periods on a straight line basis. No provision for depreciation is made for freehold land and buildings. It is the company's policy to maintain its properties in good condition. Costs of repairs and maintenance are charged against revenue in the year in which they are incurred.

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability. Rentals paid under operating leases are charged to income as incurred.

Stocks

Stocks are valued at a conservative market value. It is the opinion of the directors that the net realisable value is not less than this.

Government grants

Grants of a revenue nature are credited to the profit and loss account in the year in which they accrue. Grants of a capital nature received for land and buildings (which are not depreciated) have been deducted from the original cost of the relevant asset.

Deferred Taxation

Deferred taxation is provided on the liability method unless there is reasonable probability that such liability will not arise in the foreseeable future.

NOTES ON FINANCIAL STATEMENTS

31st March 1996

2 Analysis of results

Turnover represents the amount derived from the provision of goods and services which fall within the company's ordinary activities stated net of value added tax.

The turnover and profit before taxation attributable to the different classes of the company's business are:

	Turnover		Profit/(loss)	
	1996	1995	1996	1995
	£	£	£	£
By activity				
Farming	1,168,302	1,019,226	81,733	(79,981)
Property and investments	103,906	125,442	(59,047)	(69,530)
	<u>1,272,208</u>	<u>1,144,668</u>	<u>22,686</u>	<u>(149,511)</u>
3 Operating profit/(loss)				(Re-stated)
		1996		1995
		£		£
Operating profit/(loss) is stated after crediting				
Grants and subsidies		221,050		196,857
Interest receivable		386		334
Gain on sale of assets		-		9,859
		<u>221,436</u>		<u>197,190</u>
and after charging				
Finance charges-finance leases and hire purchase		6,419		5,822
Depreciation of tangible fixed assets		102,234		94,208
Auditors' remuneration		5,395		5,222
Loss on sale of assets		3,080		-
		<u>117,128</u>		<u>105,252</u>

NOTES ON FINANCIAL STATEMENTS

31st March 1996

4 Directors and employees

	1996 £	1995 £
Staff costs		
Wages and salaries	234,583	223,600
Social security costs	21,625	20,087
Pension costs	8,441	7,747
	<u>264,649</u>	<u>251,434</u>
	Number	Number
Average number employed including executive directors		
Office and management	4	4
Farmworkers	18	18
	<u>22</u>	<u>22</u>

The directors received no emoluments in the current or previous year.

Pension costs**Defined contribution scheme**

The company operates a defined contribution group scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £8,441 (1995 £7,747). The contributions are based on pension costs across the group as a whole.

NOTES ON FINANCIAL STATEMENTS

31st March 1996

5 Other income

	1996 £	1995 £
Gain on sale of plant and machinery	-	9,859
	<u>-</u>	<u>9,859</u>

6 Interest payable

	1996 £	1995 £
Bank interest on overdraft and loans wholly repayable within 5 years	73,603	75,937
Interest-finance leases	86	278
Hire purchase interest	6,333	5,544
	<u>80,022</u>	<u>81,759</u>

7 Taxation

	1996 £	1995 £
Corporation tax on profit on ordinary activities at 25%	3,000	-
Group relief	-	(9,800)
	<u>3,000</u>	<u>(9,800)</u>

NOTES ON FINANCIAL STATEMENTS

31st March 1996

8 Tangible fixed assets

Cost or valuation	Motor Vehicles £	Plant and Equipment £	Leased Plant & Equipment £	Freehold Land and Buildings £	Total £
1st April 1995	94,836	885,681	42,134	6,016,105	7,038,756
Additions	18,029	178,005	-	19,881	215,915
Disposals	(8,529)	(79,972)	(32,534)	-	(121,035)
31st March 1996	104,336	983,714	9,600	6,035,986	7,133,636
Depreciation					
1st April 1995	53,064	454,380	28,134	-	535,578
Charge for year	12,616	89,618	-	-	102,234
Disposals	(7,016)	(38,654)	(18,534)	-	(64,204)
31st March 1996	58,664	505,344	9,600	-	573,608
Net book amount					
31st March 1996	45,672	478,370	-	6,035,986	6,560,028
31st March 1995	41,772	431,301	14,000	6,016,105	6,503,178
Breeding Herd					
				1996 £	1995 £
1st April 1995				111,324	107,569
Increase in value				9,960	3,755
31st March 1996				121,284	111,324
Summary					
Fixed assets				6,560,028	6,503,178
Breeding herd				121,284	111,324
Total net book amount				6,681,312	6,614,502

Land and buildings were revalued on an open market value basis by an independent firm of Chartered Surveyors on 9th August 1993 at £5,952,000. This value is incorporated into these financial statements with subsequent additions being included at cost.

NOTES ON FINANCIAL STATEMENTS

31st March 1996

9 Fixed asset investments

	Investments other than loans £
Cost	
1st April 1995	5,116
Additions	433
Disposals	(53)
31st March 1996	<u>5,496</u>
Net book amount	
31st March 1996	<u>5,496</u>
31st March 1995	<u>5,116</u>

No listed investments were held by the company at 31st March 1996 or 31st March 1995

10 Stocks

	1996 £	1995 £
Trading Stock - Cattle	106,355	145,100
- Crops	169,915	96,068
- Sundry	81,109	51,643
	<u>357,379</u>	<u>292,811</u>

11 Debtors

	1996 £	1995 £
Amounts falling due within one year		
Trade debtors	62,248	62,357
Amounts owed by group companies	1,007,908	1,079,961
Other debtors	21,278	26,037
Prepayments and accrued income	35,545	34,512
	<u>1,126,979</u>	<u>1,202,867</u>

CULFARGIE ESTATES LIMITED

NOTES ON FINANCIAL STATEMENTS

31st March 1996

- 12 **Creditors:** amounts falling due within one year

	1996 £	1995 £
Bank overdrafts	117,244	211,362
Trade creditors	88,888	63,995
Amounts owed to group companies	4,726,965	4,656,320
Corporation tax	3,000	-
Accruals and deferred income	32,610	36,224
Finance leases and hp contracts - note 13	55,224	42,528
	<u>5,023,931</u>	<u>5,010,429</u>

The company meets its day to day working capital requirements through an overdraft facility which is repayable on demand. The company expects to operate within the facility currently agreed and within that expected to be agreed in May 1997, when the company's bankers are due to consider its renewal for a further year. In addition as described in note 13 the company has an obligation to repay a loan amounting to £600,000 by 18 July 1997 but expects to be able to refinance this loan with the bank beyond that date. These views are based on the company's plans and on the successful outcome of discussions with the company's bankers.

Due to holding company

- (a) The company is a wholly owned subsidiary of Iowa Land Company Limited. At 31st March 1996 there was an amount of £532,847 due to the holding company (1995 - £532,847). No interest is payable for the year ended 31st March 1996.
- (b) Included in the above is a loan of £25,746 which has been advanced being the cost of the house purchased for a former farm manager. This loan will be repayable on the eventual sale of the property.

CULFARGIE ESTATES LIMITED

NOTES ON FINANCIAL STATEMENTS

31st March 1996

- 13 **Creditors:** amounts falling due after more than one year

	1996 £	1995 £
Bank loans	600,000	600,000
Obligations under finance leases	42,955	20,273
	<u>642,955</u>	<u>620,273</u>

The bank loan included above bears interest at 9.31% per annum fixed and is repayable on 18th July 1997. The loan is secured by a memorandum of cash deposit made by a fellow group company.

Obligations under finance leases and hire purchase contracts are repayable over varying periods by monthly instalments as follows:

	1996 £	1995 £
In the next year - see note 12	55,224	42,528
In the second to fifth year	42,955	20,274

- 14 **Deferred taxation**

	1996		1995	
	Potential liability £	Provision made £	Potential liability £	Provision made £
Corporation tax deferred by				
Accelerated capital allowances	78,600	-	75,900	-
Other short term timing differences	-	-	-	-
Trading losses	(78,600)	-	(75,900)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The potential liability and provision are based on a corporation tax rate of 33% (1995 30%).

NOTES ON FINANCIAL STATEMENTS

31st March 1996

15 Called up share capital

	1996		1995	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary £1 shares	95,000	95,000	95,000	95,000
Deferred 5p. shares	100,000	5,000	100,000	5,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
		100,000		100,000
		<u> </u>		<u> </u>
Allotted called up and fully paid				
Ordinary £1 shares	40,000	40,000	40,000	40,000
Deferred 5p. shares	50,000	2,500	50,000	2,500
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
		42,500		42,500
		<u> </u>		<u> </u>

Ordinary shares (Non-equity)

The ordinary shares are entitled to a fixed non-cumulative dividend of 7% per annum plus one-half of any surplus remaining from the distribution of profits as recommended by the directors. On winding up the holders of the shares are entitled to the return of capital in priority to the deferred shareholders. The holders of shares are entitled to vote at general meetings of the company.

Deferred shares (Equity)

The deferred shares are entitled to a dividend of one-half of any surplus remaining from the distribution of profits as recommended by the directors after the payment of the dividend due to the ordinary shareholders. On winding up the holders of the shares are entitled to the return of capital after the payment of the ordinary share capital. The holders of shares are entitled to vote at general meetings of the company.

Reconciliation of movements in shareholders funds

	1996	1995
	£	£
Opening shareholders funds	2,484,824	2,624,535
Profit/(loss) in financial year	19,686	(139,711)
	<u> </u>	<u> </u>
Closing shareholders funds	2,504,510	2,484,824
	<u> </u>	<u> </u>

Analysis of shareholders' funds

Equity interests	1,370,283	1,359,347
Non-equity interests	1,134,227	1,125,477
	<u> </u>	<u> </u>
	2,504,510	2,484,824
	<u> </u>	<u> </u>

CULFARGIE ESTATES LIMITED

NOTES ON FINANCIAL STATEMENTS

31st March 1996

16 Revaluation reserve

£

31st March 1995

2,983,260

31st March 1996

2,983,260

17 Profit and loss account

1996

£

1st April 1995

(540,936)

Profit for the year

19,686

31st March 1996

(521,250)

18 Guarantees and other financial commitments

Capital expenditure authorised by the directors but not contracted for amounts to £9,932. (1995 - £NIL).

19 Ultimate holding company

The company's ultimate parent undertaking at the balance sheet date was Iowa Land Company Limited, a company registered in England.

CULFARGIE ESTATES LIMITED
NOTES ON FINANCIAL STATEMENTS

31st March 1996

20 Notes to the cash flow statement

**Reconciliation of operating loss to net cash inflow
from operating activities**

	<u>1996</u>	<u>1995</u>
	£	£
Operating profit/(loss)	102,708	(57,797)
Depreciation charges	102,234	94,208
Gain/(loss) on sale of fixed assets	3,080	(9,859)
Increase in stocks	(64,568)	(17,773)
Decrease/(increase) in debtors	5,560	(3,180)
Increase in creditors	21,415	10,874
Net cash inflow from operating activities	<u>170,429</u>	<u>16,473</u>
Analysis of changes in cash and cash equivalents as shown in the balance sheet		
Balance at 1st April 1995	(811,132)	(893,966)
Net cash inflow	94,118	82,834
Balance at 31st March 1996	<u>(717,014)</u>	<u>(811,132)</u>

**Analysis of the balances of cash and cash equivalents
as shown in the balance sheet**

	<u>1996</u>	<u>1995</u>	<u>Change in year</u>
	£	£	£
Cash at bank and in hand	230	230	-
Bank overdrafts	(717,244)	(811,362)	94,118
	<u>(717,014)</u>	<u>(811,132)</u>	<u>94,118</u>