

CULFARGIE ESTATES LIMITED

FINANCIAL STATEMENTS

31ST MARCH 1997

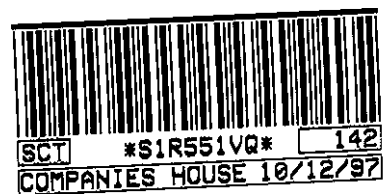
Registered number: 12977

BRODIES W. S.

ACCOUNTANCY & TAXATION DEPARTMENT

EDINBURGH

EH3 8HA



CULFARGIE ESTATES LIMITED

FINANCIAL STATEMENTS

for the year ended 31st March 1997

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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 1997

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 Downie Wilson  
Chartered Accountants  
17 Melville Street,  
Edinburgh,  
EH3 7PH.

## DIRECTORS' REPORT

31st March 1997

The directors present their report and the audited financial statements for the year ended 31st March 1997.

**Principal activity**

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

**Business review and future developments**

The company's balance sheet as detailed on page 5 shows a satisfactory position, shareholders' funds amounting to £2,417,124. A substantial increase in turnover has again been achieved in the farming business as a result of higher sales of crops, sheep and wool and high levels of crop support and cattle subsidies. Beef prices are still depressed because of the BSE crisis but this has been compensated for by additional subsidies. All crops in store were sold by the year end resulting in a lower value of closing stock. The new vegetable growing enterprise made a disappointing start because of a glut in the market at harvesting time. However, the directors have agreed to continue with the same level of production for 1997/98. Costs have increased overall, particularly as a result of higher unit costs for fertilisers and sprays, and high levels of property and vehicle maintenance. As a result, losses have been suffered in both the farming and property sectors. Little progress has been made with the proposed wind farm and the matter is under further review.

The directors are considering the trading position of the company, together with fellow subsidiary Fingask & Kinnaird Properties Limited, with a view to possible amalgamation of the farming operations. This is in the light of the recent Scottish Office decision on separate business status under IACS which may have an effect on future grants receivable.

**Loss, 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 loss for the year is to be debited 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

	31st March 1997 Ordinary shares	1st April 1996 Ordinary shares
C.S.R. Stroyan	-	-
P.H. Lawson	-	-

continued .....

CULFARGIE ESTATES LIMITED

DIRECTORS' REPORT  
(continued)

31st March 1997

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 merged with Downie Wilson on 1 October 1996 and have signed the audit report in their new name. Scott-Moncrieff Downie Wilson 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

 1997

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 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Scott-Moncrieff Downie Wilson*

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

*28 July* 1997

## CULFARGIE ESTATES LIMITED

## PROFIT AND LOSS ACCOUNT

for the year ended 31st March 1997

	Note	1997 £	1996 £
Turnover - continuing operations	2	1,339,094	1,272,208
Cost of sales		(650,806)	(520,656)
Gross profit		688,288	751,552
Administrative expenses		(729,149)	(648,844)
Other operating income	5	25,157	-
Operating (loss)/profit	3	(15,704)	102,708
Interest payable	6	(82,229)	(80,022)
(Loss)/profit on ordinary activities before taxation	2	(97,933)	22,686
Taxation	7	10,547	(3,000)
(Loss)/profit on ordinary activities after taxation	17	(87,386)	19,686

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

(Loss)/profit for the financial year	(87,386)	19,686
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There is no difference between the (loss)/profit on ordinary activities for the period stated above and its historical cost equivalent.

## CULFARGIE ESTATES LIMITED

## BALANCE SHEET

at 31st March 1997

	Note	1997 £	1996 £
<b>Fixed assets</b>			
Tangible assets	8	6,800,057	6,681,312
Investments	9	5,879	5,496
		<u>6,805,936</u>	<u>6,686,808</u>
<b>Current assets</b>			
Stocks	10	282,140	357,379
Debtors	11	1,149,807	1,126,979
Cash at bank and in hand		231	230
		<u>1,432,178</u>	<u>1,484,588</u>
Creditors: amounts falling due within one year	12	(5,733,181)	(5,023,931)
Net current liabilities		<u>(4,301,003)</u>	<u>(3,539,343)</u>
Total assets less current liabilities		2,504,933	3,147,465
Creditors: amounts falling due after more than one year	13	(87,809)	(642,955)
		<u>2,417,124</u>	<u>2,504,510</u>
<b>Capital and reserves</b>			
Called up share capital	15	42,500	42,500
Revaluation reserve	16	2,983,260	2,983,260
Profit and loss account	17	(608,636)	(521,250)
		<u>2,417,124</u>	<u>2,504,510</u>

The financial statements on pages 4 to 16(a)  
were approved by the board of directors  
on *28 July* 1997

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 1997

		<u>1997</u>		<u>1996</u>	
	<u>Note</u>	£	£	£	£
Net cash inflow from operating activities	20		115,444		170,429
<b>Returns on investments and servicing of finance</b>					
Interest paid		(73,783)		(73,825)	
Hire purchase interest		(6,779)		(6,333)	
Net cash outflow from returns on investments and servicing of finance			(80,562)		(80,158)
Taxation			(2,453)		-
<b>Investing activities</b>					
Payments to acquire:					
Tangible fixed assets		(90,328)		(91,189)	
Fixed asset investments		(383)		(380)	
		(90,711)		(91,569)	
Receipts from sales of:					
Tangible fixed assets		14,393		7,551	
			(76,318)		(84,018)
Net cash (outflow)/inflow before financing			(43,889)		6,253
<b>Financing</b>					
Capital element of finance lease payments		(73,986)		(54,833)	
Fellow subsidiaries		51,089		142,698	
Net cash (outflow)/inflow from financing			(22,897)		87,865
(Decrease)/Increase in cash and cash equivalents			(66,786)		94,118

See note 20 for the notes to this statement

NOTES ON FINANCIAL STATEMENTS

31st March 1997

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 1997

## 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)	
	1997	1996	1997	1996
	£	£	£	£
By activity				
Farming	1,240,872	1,168,302	(12,274)	81,733
Property and investments	98,222	103,906	(85,659)	(59,047)
	<u>1,339,094</u>	<u>1,272,208</u>	<u>(97,933)</u>	<u>22,686</u>

## 3 Operating (loss)/profit

	1997	1996
	£	£
Operating (loss)/profit is stated after crediting		
Grants and subsidies	250,626	221,050
Interest receivable	383	386
Gain on sale of assets	25,157	-
	<u>276,166</u>	<u>221,436</u>
and after charging		
Finance charges-finance leases and hire purchase	6,865	6,419
Depreciation of tangible fixed assets	125,371	102,234
Auditors' remuneration	5,395	5,395
Loss on sale of assets	-	3,080
	<u>138,631</u>	<u>117,128</u>

CULFARGIE ESTATES LIMITED

NOTES ON FINANCIAL STATEMENTS

31st March 1997

4 Directors and employees

	1997 £	1996 £
<b>Staff costs</b>		
Wages and salaries	235,088	234,583
Social security costs	21,161	21,625
Pension costs	9,043	8,441
	<u>265,292</u>	<u>264,649</u>
	<b>Number</b>	<b>Number</b>
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 £9,043 (1996 £8,441). The contributions are based on pension costs across the group as a whole.

5 Other income

	1997 £	1996 £
Gain on sale of plant and machinery	25,157	-
	<u>25,157</u>	<u>-</u>

6 Interest payable

	1997 £	1996 £
Bank interest on overdraft and loans wholly repayable within 5 years	75,364	73,603
Interest-finance leases	86	86
Hire purchase interest	6,779	6,333
	<u>82,229</u>	<u>80,022</u>

## CULFARGIE ESTATES LIMITED

## NOTES ON FINANCIAL STATEMENTS

31st March 1997

## 7 Taxation

	1997 £	1996 £
Corporation tax on profit on ordinary activities at 25%	-	3,000
Group relief	(10,000)	-
	<u>(10,000)</u>	<u>3,000</u>
Over provision in earlier years	(547)	-
	<u>(10,547)</u>	<u>3,000</u>

## NOTES ON FINANCIAL STATEMENTS

31st March 1997

## 8 Tangible fixed assets

Cost or valuation	Motor Vehicles £	Plant and Equipment £	Leased Plant & Equipment £	Freehold Land and Buildings £	Total £
1st April 1996	104,336	983,714	9,600	6,035,986	7,133,636
Additions	36,659	247,404	-	21,089	305,152
Disposals	(26,049)	(129,065)	-	(500)	(155,614)
31st March 1997	<u>114,946</u>	<u>1,102,053</u>	<u>9,600</u>	<u>6,056,575</u>	<u>7,283,174</u>
Depreciation					
1st April 1996	58,664	505,344	9,600	-	573,608
Charge for year	14,945	110,426	-	-	125,371
Disposals	(14,847)	(79,827)	-	-	(94,674)
31st March 1997	<u>58,762</u>	<u>535,943</u>	<u>9,600</u>	<u>-</u>	<u>604,305</u>
Net book amount					
31st March 1997	<u>56,184</u>	<u>566,110</u>	<u>-</u>	<u>6,056,575</u>	<u>6,678,869</u>
31st March 1996	<u>45,672</u>	<u>478,370</u>	<u>-</u>	<u>6,035,986</u>	<u>6,560,028</u>
Breeding Herd				1997 £	1996 £
1st April 1996				121,284	111,324
(Decrease)/increase in value				(96)	9,960
31st March 1997				<u>121,188</u>	<u>121,284</u>
Summary					
Fixed assets				6,678,869	6,560,028
Breeding herd				121,188	121,284
Total net book amount				<u>6,800,057</u>	<u>6,681,312</u>

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. Confirmation has been received from the same firm that the value of the land and buildings as at 31 March 1997 was no less than that stated above.

CULFARGIE ESTATES LIMITED

NOTES ON FINANCIAL STATEMENTS

31st March 1997

9 Fixed asset investments

Investments  
other than  
loans  
£

Cost

1st April 1996  
Additions

5,496  
383

31st March 1997

5,879

Net book amount

31st March 1997

5,879

31st March 1996

5,496

No listed investments were held by the company at 31st March 1997 or  
31st March 1996

10 Stocks

1997  
£

1996  
£

Trading Stock - Cattle  
- Crops  
- Sundry

109,590  
115,909  
56,641  
282,140

106,355  
169,915  
81,109  
357,379

11 Debtors

1997  
£

1996  
£

Amounts falling due within one year

Trade debtors  
Amounts owed by group companies  
Other debtors  
Prepayments and accrued income

89,748  
999,590  
22,737  
37,732  
1,149,807

62,248  
1,007,908  
21,278  
35,545  
1,126,979

## NOTES ON FINANCIAL STATEMENTS

31st March 1997

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

	1997 £	1996 £
Bank loans and overdrafts	784,031	117,244
Trade creditors	66,382	88,888
Amounts owed to group companies	4,759,736	4,726,965
Corporation tax	-	3,000
Accruals and deferred income	42,343	32,610
Finance leases and hp contracts - note 13	80,689	55,224
	<u>5,733,181</u>	<u>5,023,931</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 April 1998, when the company's bankers are due to consider its renewal for a further year. These views are based on the company's plans and on the successful outcome of discussions with the company's bankers. In addition as described in note 13 the company had an obligation to repay a loan amounting to £600,000 on 18 July 1997 and did this using funds provided by the holding company.

**Due to holding company**

- (a) The company is a wholly owned subsidiary of Iowa Land Company Limited. At 31st March 1997 there was an amount of £532,847 due to the holding company (1996 - £532,847). No interest is payable for the year ended 31st March 1997.
- (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.



## NOTES ON FINANCIAL STATEMENTS

31st March 1997

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

	1997 £	1996 £
Bank loans	-	600,000
Obligations under finance leases	87,809	42,955
	<u>87,809</u>	<u>642,955</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:

	1997 £	1996 £
In the next year - see note 12	80,689	55,224
In the second to fifth year	87,809	42,955

- 14 **Deferred taxation**

	1997		1996	
	Provided £	Not Provided £	Provided £	Not Provided £
Corporation tax deferred by				
Accelerated capital allowances	73,829	16,529	78,600	4,000
Other short term timing differences	-	-	-	-
Trading losses	(73,829)	-	78,600	-
	<u>-</u>	<u>16,529</u>	<u>-</u>	<u>4,000</u>

The potential liability and provision are based on a corporation tax rate of 31% (1996 33%).

## NOTES ON FINANCIAL STATEMENTS

31st March 1997

## 15 Called up share capital

	1997		1996	
	Number of shares	£	Number of shares	£
<b>Authorised</b>				
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>
 <b>Allotted called up and fully paid</b>				
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**

	1997	1996
	£	£
Opening shareholders funds	2,504,510	2,484,824
(Loss)/profit in financial year	(87,386)	19,686
	<u>          </u>	<u>          </u>
Closing shareholders funds	2,417,124	2,504,510
	<u>          </u>	<u>          </u>

**Analysis of shareholders' funds**

Equity interests	1,326,180	1,370,283
Non-equity interests	1,090,944	1,134,227
	<u>          </u>	<u>          </u>
	2,417,124	2,504,510
	<u>          </u>	<u>          </u>

## 16 Revaluation reserve

31st March 1997 and 31st March 1996

£  
  
2,983,260

## CULFARGIE ESTATES LIMITED

## NOTES ON FINANCIAL STATEMENTS

31st March 1997

## 17 Profit and loss account

1997

£

1st April 1996

(521,250)

Loss for the year

(87,386)

31st March 1997

(608,636)

## 18 Guarantees and other financial commitments

Capital expenditure authorised by the directors but not contracted for amounts to £Nil (1996 - £9,932).

## 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 1997

**20 Notes to the cash flow statement**

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

	<u>1997</u>	<u>1996</u>
	£	£
Operating (loss)/profit	(15,704)	102,708
Depreciation charges	125,371	102,234
(Gain)/Loss on sale of fixed assets	(25,157)	3,080
Decrease/(Increase) in stocks	75,239	(64,568)
(Increase)/Decrease in debtors	(29,865)	5,560
(Decrease)/Increase in creditors	(14,440)	21,415
	<u>115,444</u>	<u>170,429</u>
Net cash inflow from operating activities		

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

Balance at 1st April 1996	(717,014)	(811,132)
Net cash (outflow)/inflow	(66,786)	94,118
	<u>(783,800)</u>	<u>(717,014)</u>
Balance at 31st March 1997		

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

	<u>1997</u>	<u>1996</u>	<u>Change in year</u>
	£	£	£
Cash at bank and in hand	231	230	1
Bank overdrafts	(784,031)	(717,244)	(66,787)
	<u>(783,800)</u>	<u>(717,014)</u>	<u>(66,786)</u>