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MURLEY AGRICULTURAL SUPPLIES LIMITED

DIRECTORS' REPORT AND FINANCIAL ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 1988

(AS MODIFIED BY SECTIONS 247 TO 249 COMPANIES ACT 1985)

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BURGIS & BULLOCK  
Chartered Accountants  
11/13 Waterloo Place  
Leamington Spa  
Warwickshire

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MURLEY AGRICULTURAL SUPPLIES LIMITED

INDEX TO MODIFIED FINANCIAL ACCOUNTS

YEAR ENDED

31 DECEMBER 1988

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REPORT OF THE AUDITORS  
TO THE MEMBERS OF  
MURLEY AGRICULTURAL SUPPLIES LIMITED

In our opinion the Company satisfies the requirements of Sections 247 to 249 of the Companies Act, 1985 for exemption as a medium-sized Company in respect of the year ended 31 December 1988 and, in particular, the Modified Accounts have been properly prepared in accordance with Part 1 of Schedule 8 of that Act. We are not required to express an audit opinion on the truth and fairness of these Modified Accounts.

We reported, as Auditors of Murley Agricultural Supplies Limited, to the Members on 14 April 1989 on the Company's Accounts prepared under Section 227 of the Companies Act, 1985 for the year ended 31 December 1988 and our audit opinion was as follows:-

We have audited the Accounts on Pages 4 to 14 in accordance with approved Auditing Standards.

In our opinion, the Accounts, which have been prepared under the historical cost convention as modified by the revaluation of land and buildings give a true and fair view of the state of affairs of the Company at 31 December 1988 and of the Profit and Source and Application of Funds for the year then ended, and comply with the Companies Act 1985.

*Burgin & Bullock*  
Chartered Accountants

11/13 Waterloo Place  
Leamington Spa  
Warwickshire

3 July 1989

## MURLEY AGRICULTURAL SUPPLIES LIMITED

## MODIFIED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1988

	Notes	Year Ended 31.12.1988 £	15 months ended 31.12.1987 £
Gross Profit		859231	892734
Distribution Costs		(227348)	(262225)
Administration Expenses		<u>(538358)</u>	<u>(587413)</u>
Operating Profit	4	93525	43096
Interest Payable and Similar Charges	5	<u>(67677)</u>	<u>(106173)</u>
Profit/(Loss) on Ordinary Activities before Taxation		25848	(63077)
Tax on Profit/(Loss) on Ordinary Activities	6	<u>(9269)</u>	<u>30258</u>
Profit/(Loss) for the Year/Period		16579	(32819)
Dividends	7	<u>(5000)</u>	<u>(21000)</u>
Retained Profit/(Loss) for the Year/Period	18	<u>£11579</u> =====	<u>£(53819)</u> =====

**MURLEY AGRICULTURAL SUPPLIES LIMITED**  
**MODIFIED BALANCE SHEET AS AT 31 DECEMBER 1988**

	Notes	1988	1987
		£	£
<b>Fixed Assets</b>			
Tangible Assets	8	956717	863843
Investments	9	102566	102566
		<u>1059283</u>	<u>966409</u>
<b>Current Assets</b>			
Stocks	10	1207622	984351
Debtors	11	504341	713788
Cash at Bank and in Hand		602	470
		<u>1712565</u>	<u>1698609</u>
Creditors: Amounts Falling Due Within One Year	12	1652519	1628156
		<u>60046</u>	<u>70453</u>
<b>Net Current Assets</b>		<u>1119329</u>	<u>1036862</u>
<b>Total Assets, less Current Liabilities</b>			
Creditors: Amounts Falling Due After More Than One Year	14	(107847)	(36259)
Provisions for Liabilities and Charges	15	(1500)	(2200)
		<u>£1009982</u>	<u>£998403</u>
		=====	=====
<b>Capital and Reserves</b>			
Called Up Share Capital	17	500000	500000
Reserves	18	509982	498403
		<u>£1009982</u>	<u>£998403</u>
		=====	=====

We have relied on the exemptions for individual accounts contained in Sections 247 to 249 of the Companies Act 1985, because, under that Act, the Company is entitled to benefit from those exemptions as a medium-sized Company.

Directors

Date

3/7/89

**MURLEY AGRICULTURAL SUPPLIES LIMITED**  
**STATEMENT OF SOURCE AND APPLICATION OF FUNDS**  
**FOR THE YEAR ENDED 31 DECEMBER 1988**

	1988		1987	
	£	£	£	£
<b>Source of Funds</b>				
Profit/(Loss) on Ordinary Activities before Taxation		25848		(63077)
Adjustment for items not involving the movement of Funds:				
Depreciation	66967		76733	
Profit on Disposal of Tangible Fixed Assets	(1899)		(7584)	
		<u>65068</u>		<u>69149</u>
<b>Funds Generated from Operations</b>		90916		6072
<b>Funds from Other Sources</b>				
Bank Loan Received		88232		-
Proceeds of Sale of Tangible Fixed Assets		4150		17600
Corporation Tax Refunds		26626		-
		<u>209924</u>		<u>23672</u>
<b>Application of Funds</b>				
Purchase of Tangible Fixed Assets	162092		81059	
Investment in Group Company	-		27466	
Taxation Paid	3865		104891	
Dividends Paid	12297		8703	
		<u>178254</u>		<u>222119</u>
<b>Increase/(Decrease) in Working Capital</b>		£31670		£(198447)
		=====		=====
<b>Components of Increase/(Decrease) in Working Capital</b>				
Stocks	223271		132205	
Debtors	(178300)		(263263)	
Creditors	(92813)		(26958)	
		<u>(47842)</u>		<u>(158016)</u>
<b>Movements in Net Liquid Funds</b>				
Cash at Bank and in Hand	132		85	
Bank Overdrafts	79380		(40516)	
		<u>79512</u>		<u>(40431)</u>
		<u>£31670</u>		<u>£(198447)</u>
		=====		=====

# MURLEY AGRICULTURAL SUPPLIES LIMITED

## NOTES TO THE MODIFIED ACCOUNTS

YEAR ENDED 31 DECEMBER 1988

### 1 Accounting Policies

#### a) Accounting Convention

The Accounts are prepared under the historical cost convention as modified to include the revaluation of land and buildings.

#### b) Depreciation

Depreciation is provided on all Tangible Fixed Assets, other than Freehold Land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, or lease period if shorter, as follows:-

Freehold Buildings	2% Straight Line
Leasehold Buildings	Over the term of the lease
Plant and Equipment	12.5% Straight Line
Motor Vehicles	25% Straight Line

#### c) Stocks

Stocks are stated at the lower of cost and net realisable value.

Cost is defined as the cost incurred in bringing each product to its present location and condition as follows:

Raw Materials	purchase cost on a first-in, first-out basis.
Work in Progress and Finished Goods	cost of direct materials and labour plus attributable overheads based on the normal level of activity.

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

#### d) Deferred Taxation

Deferred Taxation is provided on the liability method on all short term timing differences. Provision is also made for long term timing differences, except for those which are not expected to reverse in the future.

#### e) Leases and Hire Purchase Agreements

Fixed assets leased under finance leases and purchased under hire purchase agreements are capitalised and depreciated over their expected useful lives. The finance charges are allocated over the primary period of the lease or hire purchase agreement in proportion to the capital element outstanding. The costs of operating leases are charged to the profit and loss account as they accrue.

**MURLEY AGRICULTURAL SUPPLIES LIMITED**  
**NOTES TO THE MODIFIED ACCOUNTS (Continued)**  
**YEAR ENDED 31 DECEMBER 1988**

**1 Accounting Policies (Continued)**

**f) Foreign Currency Translation**

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date.

All exchange differences are dealt with through the profit and loss account.

**g) Pensions**

Contributions are normally charged against profits as they are made.

**2 Staff Costs**

The average weekly number of employees including Directors during the period was 39 and the costs were as follows:

	1988 £	1987 £
Wages and Salaries	352506	465496
Social Security Costs	47922	44721
Other Pension Costs	7918	17866
	<u>£408346</u>	<u>£528083</u>
	=====	=====

**3 Directors' Emoluments**

The Emoluments of Directors, excluding pension contributions, were as follows:-

	1988 £	1987 £
Highest Paid Director	£23600	£33500
	=====	=====
Other Directors in Scale:	No.	No.
Not more than £5000	2	1
£ 5001 - £10000	-	1
£10001 - £15000	1	-
£15001 - £20000	1	2
£20001 - £25000	-	1



**MURLEY AGRICULTURAL SUPPLIES LIMITED**  
**NOTES TO THE MODIFIED ACCOUNTS (Continued)**

**YEAR ENDED 31 DECEMBER 1988**

4	Operating Profit	1988 £	1987 £
	This is stated after charging:		
	Depreciation of Tangible Fixed Assets:		
	Owned by the Company	29296	35557
	On Hire Purchase and Finance Lease	37671	41176
	Profit on Sale of Tangible Fixed Assets	(1899)	(7584)
	Directors' Emoluments - Including Pension Contributions (Note 3)	67342	126951
	Auditors' Remuneration	3600	5200
	Hire of Office Equipment	3364	2538
		=====	=====
5	Interest Payable and Similar Charges	1988 £	1987 £
	Repayable Within Five Years:		
	Bank Loan	2760	-
	Bank Overdrafts	57117	96814
	Hire Purchase and Finance Leases	7800	9359
		-----	-----
		£67677	£106173
		=====	=====
6	Tax on Profit/(Loss) on Ordinary Activities	1988 £	1987 £
	The Charge/(Credit) based on the Profit/(Loss) for the Year comprises:-		
	Corporation Tax at 25.5% (1987 37.5%)	6200	(21500)
	Deferred Taxation	(700)	(8699)
		-----	-----
		5500	(30199)
	Taxation Under/(Over) Provided in Previous Years	3769	(59)
		-----	-----
		£9269	£(30258)
		=====	=====
7	Dividends	1988 £	1987 £
	Ordinary Shares:-		
	Dividend Paid	-	8703
	Dividend Proposed	5000	12297
		-----	-----
		£5000	£21000
		=====	=====

**MURLEY AGRICULTURAL SUPPLIES LIMITED**  
**NOTES TO THE MODIFIED ACCOUNTS (Continued)**

**YEAR ENDED 31 DECEMBER 1988**

8 Tangible Fixed Assets	Freehold Land and Buildings £	Short Leasehold Land and Buildings £	Plant, Equipment and Motor Vehicles £	Total £
<b>Cost or Valuation</b>				
At 1 January 1988	738760	142490	288937	1170187
Additions	33232	107742	21118	162092
Disposals	-	-	(7206)	(7206)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1988	771992	250232	302849	1325073
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 January 1988	81254	54105	170985	306344
Charge for the Year	13075	9339	44553	66967
On Disposals	-	-	(4955)	(4955)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1988	94329	63444	210583	368356
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Book Value</b>				
At 31 December 1988	£677663	186788	92266	956717
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1987	£657506	88385	117952	863843
	<hr/>	<hr/>	<hr/>	<hr/>

Plant, Equipment and Motor Vehicles with a net book value of £72298 (1987 £102901) are being acquired under Hire Purchase and Finance Lease agreements.

Land and Buildings are included at a Valuation as follows:

Valuation in 1984:-	£
Freehold Land	85000
Freehold Buildings	615000
Short Leasehold Land and Buildings	125000
	<hr/>
	£825000
	<hr/>

The valuation was performed on the basis of open market value.

## MURLEY AGRICULTURAL SUPPLIES LIMITED

## NOTES TO THE MODIFIED ACCOUNTS (Continued)

YEAR ENDED 31 DECEMBER 1988

## 8 Tangible Fixed Assets (Continued)

The original cost and depreciation based on cost of land and buildings included at valuation is:-

	Freehold Land and Buildings		Short Leasehold Land and Buildings	
	1988	1987	1988	1987
	£	£	£	£
Historical cost	348211	348211	29699	29699
Depreciation based on cost	51414	45856	17730	16777
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Historical Cost Net Book Value	£296797	£302355	£11969	£12922
	=====	=====	=====	=====

## 9 Fixed Asset Investment

Subsidiary Companies - At Cost

At 1 January and 31 December 1988

£  
£102566  
=====

The companies included above are:

Murley Machinery Overseas Limited

Cost of  
Shares

100

Murley Auto Limited

102466

£102566  
=====

Both companies are wholly owned subsidiaries, incorporated in England.

## 10 Stocks

	1988	1987
	£	£
Machinery	878194	681302
Parts	315614	290425
Work-in-Progress	13814	12124
	<u>          </u>	<u>          </u>
	£1207622	£984351
	=====	=====

**MURLEY AGRICULTURAL SUPPLIES LIMITED**  
**NOTES TO THE MODIFIED ACCOUNTS (Continued)**  
**YEAR ENDED 31 DECEMBER 1988**

<b>11</b>	<b>Debtors</b>	<b>1988</b>	<b>1987</b>
		<b>£</b>	<b>£</b>
	Due Within One Year:-		
	Amounts Due from Group Companies	60003	9092
	Trade Debtors	393812	617338
	Other Debtors	33607	63661
	Prepayments	16919	23697
		<hr/>	<hr/>
		£504341	£713788
		=====	=====
<b>12</b>	<b>Creditors - Amounts Falling Due Within One Year</b>	<b>1988</b>	<b>1987</b>
		<b>£</b>	<b>£</b>
	Bank Overdrafts (See note 13)	616541	695921
	Trade Creditors	664848	521379
	Amounts owed to Group Companies	5948	33437
	Hire Purchase and Finance Leases	265127	251203
	Current Corporation Tax	1583	-
	Other Taxes and Social Security Costs	66542	89481
	Proposed Dividend	5000	12297
	Accruals	26930	24438
		<hr/>	<hr/>
		£1652519	£1628156
		=====	=====
<b>13</b>	<b>Bank Overdrafts</b>		

The Bank Overdrafts are secured by a fixed charge on the Company's Freehold and Leasehold Premises, and a floating charge over all other assets of the company.

**MURLEY AGRICULTURAL SUPPLIES LIMITED**  
**NOTES TO THE MODIFIED ACCOUNTS (Continued)**  
**YEAR ENDED 31 DECEMBER 1988**

**14 Creditors - Amounts Falling Due After More Than One Year**

	1988 £	1987 £
Amounts Falling Due within Five Years:-		
Bank Loan	41000	-
Hire Purchase and Finance Leases	19615	36259
	<hr/>	<hr/>
	60615	36259
Amounts Falling Due after more than Five Years:-		
Bank Loan	47232	-
	<hr/>	<hr/>
	£107847	£36259
	=====	=====

The Bank Loan bears interest at 2½% over bank base rate and is repayable over 15 years commencing in 1991. The loan is secured by a fixed and floating charge over the assets of the Company.

**15 Provisions for Liabilities and Charges**

	1988 £	1987 £
Deferred Taxation (See Note 16)	£1500	£2200
	=====	=====

**16 Deferred Taxation**

Deferred Taxation provided in the Accounts, and the total potential liability including the amounts for which provision has not been made, are as follows:-

	Amount Provided		Total Potential Liability	
	1988 £	1987 £	1988 £	1987 £
Capital Allowances in Advance of Depreciation and Amortisation	1500	2200	1500	2200
Taxation on Revaluation Surplus	-	-	116800	116800
	<hr/>	<hr/>	<hr/>	<hr/>
	£1500	£2200	£118300	£119000
	=====	=====	=====	=====

**MURLEY AGRICULTURAL SUPPLIES LIMITED**  
**NOTES TO THE MODIFIED ACCOUNTS (Continued)**  
**YEAR ENDED 31 DECEMBER 1988**

17	Share Capital	1988	1987	
	Authorised			
	500000 Ordinary Shares of £1 each	£500000	£500000	
	Issued and Fully Paid			
	500000 Ordinary Shares of £1 each	£500000	£500000	
18	Reserves	Revaluation Reserve £	Profit & Loss Account £	Total £
	At 1 January 1988	430516	67887	498403
	Retained Profit for the Year	-	11579	11579
	At 31 December 1988	£430516	79466	509982
19	Capital Commitments			
	At 31 December 1988 the following future capital expenditure had been authorised:-			
		1988	1987	
	Contracted	£122000	£55000	
	Not Contracted	£40000	£15000	
20	Contingent Liabilities			
	An unlimited guarantee has been made by the company in favour of its subsidiaries and holding company to the extent of those companies bank overdrafts and loans.			
21	Ultimate Holding Company			
	The company's ultimate holding company is Murley Limited a company incorporated in Great Britain.			