

Registered number: SC025270

Davidson Brothers (Shotts) Limited

Directors' report and financial statements

for the year ended 31 July 2012

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Davidson Brothers (Shotts) Limited

Directors and advisers for the year ended 31 July 2012

Directors	W M Davidson W G Davidson
Company secretary	W G Davidson
Registered number	SC025270
Registered Office	3 Gray Street Shotts ML7 5EZ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 141 Bothwell Street Glasgow G2 7EQ
Solicitors	Dickson Minto WS 16 Charlotte Square Edinburgh EH2 4DF Brodies LLP 15 Atholl Crescent Edinburgh EH3 8HA
Bankers	Bank of Scotland 225 Station Road Shotts ML7 4AW

Davidson Brothers (Shotts) Limited

Directors' report for the year ended 31 July 2012

The directors present their annual report and the audited financial statements for the year ended 31 July 2012.

Principal activities

The principal activity of the company is the manufacture and sale of animal feedstuffs.

Review of business and future developments

As reported in the previous year, our industry continues to experience significant volatility caused by fluctuations in raw material prices and currency markets. Despite this, we have continued to increase sales volumes and achieved an increased level of profitability. The company continues to invest in its people and facilities and remains free of any over-reliance on external borrowings. The directors are satisfied with the company's performance and remain confident about its future prospects.

Results and dividends

The profit for the financial year, after taxation, amounted to £450,702 (2011: £245,095) and has been transferred to reserves. A dividend of £36,000 was paid in April 2012 (2011: Nil).

Principal risks and uncertainties

The management of the business and execution of the company's strategy is subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to the farming/agricultural industry in general.

Key performance indicators ("KPIs")

Given the nature of the business, the directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Directors and their interests

The directors of the company who served during the year and up to the date of approval of the financial statements were:

W M Davidson
W G Davidson

Following changes to UK company law by the Companies Act 2006, which came into effect on 6 April 2008, the requirement to maintain a register of directors' interests and to disclose these interests in the Company's statutory report and financial statements has been repealed. Consequently, the Company no longer maintains a register of directors' interests nor makes a disclosure in this regard.

Davidson Brothers (Shotts) Limited

Directors' report for the year ended 31 July 2012

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is not relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 9 January 2013 and signed on its behalf by:



W G Davidson
Director

Davidson Brothers (Shotts) Limited

Independent auditors' report to the members of Davidson Brothers (Shotts) Limited

We have audited the financial statements of Davidson Brothers (Shotts) Limited for the year ended 31 July 2012 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2012 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

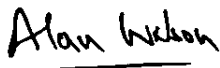
Davidson Brothers (Shotts) Limited

Independent auditors' report to the members of Davidson Brothers (Shotts) Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Alan Wilson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
9 January 2013

Davidson Brothers (Shotts) Limited

Profit and loss account For the year ended 31 July 2012

	Note	2012 £	2011 £
Turnover	1,2	25,254,257	18,411,172
Cost of sales		(18,955,480)	(13,225,291)
Gross profit		6,298,777	5,185,881
Distribution costs		(1,676,333)	(1,676,980)
Administrative expenses		(4,194,370)	(3,268,643)
Other operating income		168,145	57,155
Operating profit	5	596,219	297,413
Interest payable and similar charges	6	(4,853)	(10,852)
Profit on ordinary activities before taxation		591,366	286,561
Tax on profit on ordinary activities	7	(140,664)	(41,466)
Profit for the financial year	15	450,702	245,095

All amounts relate to continuing operations.

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account, and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical cost equivalents.

The notes on pages 9 to 20 form part of these financial statements.

Davidson Brothers (Shotts) Limited

Balance Sheet As at 31 July 2012

	Note	2012 £	2011 £
Fixed assets			
Tangible assets	8	3,158,834	3,056,525
Current assets			
Stocks	9	874,826	1,134,616
Debtors	10	2,218,718	1,530,842
Cash at bank and in hand		532,579	296,540
		3,626,123	2,961,998
Creditors: amounts falling due within one year	11	(1,875,771)	(1,441,595)
Net current assets		1,750,352	1,520,403
Total assets less current liabilities		4,909,186	4,576,928
Creditors: amounts falling due after more than one year	12	-	(13,421)
Provisions for liabilities			
Deferred taxation	13	(93,724)	(162,747)
Net assets		4,815,462	4,400,760
Capital and reserves			
Called up share capital	14	139,940	139,940
Capital redemption reserve	15	12,537	12,537
Profit and loss account	15	4,662,985	4,248,283
Total shareholders' funds	16	4,815,462	4,400,760

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 9 January 2013 by:



W G Davidson
Director

The notes on pages 9 to 20 form part of these financial statements

Davidson Brothers (Shotts) Limited

Cash flow statement For the year ended 31 July 2012

		2012 £	2011 £
Net cash inflow from continuing operating activities	17	1,175,768	48,005
Returns on investments and servicing of finance	18	(4,853)	(10,852)
Taxation		(144,554)	(93,444)
Capital expenditure and financial investment	18	(727,622)	(315,759)
Cash outflow before financing		298,739	(372,050)
Financing		(26,700)	(52,703)
Dividend paid		(36,000)	-
Increase / (Decrease) in cash in the year		236,039	(424,753)

Reconciliation of net cash flow to movement in net funds/debt For the year ended 31 July 2012

	2012 £	2011 £
Increase / (Decrease) in cash in the year	236,039	(424,753)
Cash inflow from decrease in debt and lease financing	26,700	52,703
Movement in net funds in the year	262,739	(372,050)
Net funds at 1 August	51,750	423,800
Net funds at 31 July	314,489	51,750

The notes on pages 9 to 20 form part of these financial statements

Davidson Brothers (Shotts) Limited

Notes to the financial statements for the year ended 31 July 2012

1. Accounting Policies

1.1 Basis of accounting

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the financial year, are set out below.

1.2 Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods supplied. Turnover is recognised at the point at which the risks and rewards of ownership are transferred to the customer.

1.3 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at the rates calculated to write off the cost of those assets, less their estimated realisable value, over their expected useful lives on the following bases:

Freehold land and buildings	2%
Plant and machinery	10%
Motor vehicles	20% and 33%
Office equipment	10%
Computer equipment	20%

No depreciation is provided on assets under construction

Assets under construction are transferred to the appropriate asset category when they come into use. Depreciation on assets so transferred is provided with effect from the month following the date of transfer.

1.4 Leasing and hire purchase

Assets obtained under hire purchase are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding each period.

1.5 Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition.

Davidson Brothers (Shotts) Limited

Notes to the financial statements for the year ended 31 July 2012

1.6 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted

1.7 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.8 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

2 Turnover

An analysis of turnover by class of business is as follows:

	2012	2011
	£	£
Manufactured product	24,199,105	17,785,547
Raw materials and bought-in items	1,055,152	625,625
	25,254,257	18,411,172

All turnover arose within the United Kingdom.

3 Directors' emoluments

	2012	2011
	£	£
Aggregate emoluments	68,316	115,017

Davidson Brothers (Shotts) Limited

Notes to the financial statements for the year ended 31 July 2012

During the year no retirement benefits were accrued for directors (2011 – nil) in respect of defined contribution pension schemes.

4 Staff costs

Staff costs, including directors' emoluments, were as follows:

	2012	2011
	£	£
Wages and salaries	1,531,236	1,238,515
Social security costs	139,590	128,546
Other pensions costs	6,936	9,288
	1,677,762	1,376,349

The average monthly number of employees, including the directors, during the year was as follows:

By activity	2012	2011
	Number	Number
Production	7	7
Selling and distribution	38	29
Administration	4	4
	49	40

5 Operating profit

The operating profit is stated after charging/(crediting):

	2012	2011
	£	£
Depreciation of tangible fixed assets:		
- owned by the company	627,345	750,095
- held under hire purchase contracts	18,400	28,706
Auditors' remuneration for audit services	17,400	16,250
Gain on disposal of tangible fixed assets	(20,432)	(625)

Davidson Brothers (Shotts) Limited

Notes to the financial statements for the year ended 31 July 2012

6 Interest payable and similar charges

	2012	2011
	£	£
On bank loans and overdrafts	-	6,087
On hire purchase contracts	4,853	4,765
	24,962	10,852

7 Tax on profit on ordinary activities

Analysis of tax charge in the year	2012	2011
	£	£
Current tax (see note below)		
UK corporation tax charge on profit for the year	140,824	119,827
Adjustment in respect of previous years	(160)	-
	140,664	119,827
Deferred tax (see note 13)		
Origination and reversal of timing differences	(69,023)	(78,361)
Tax on profit on ordinary activities	71,641	41,466

Davidson Brothers (Shotts) Limited

The tax assessed for the year is lower (2011: higher than) than the standard rate of corporation tax in the UK of 25.33% (2011: 27.33%). The differences are explained below:

	2012 £	2011 £
Profit on ordinary activities before taxation	591,366	286,561
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25.33% (2011: 27.33%)	149,793	78,317
Effects of:		
Expenses not deductible for tax purposes and other permanent	(3,884)	1,736
Accelerated capital allowances	91,138	79,747
Other timing differences	(87,719)	(24,724)
Adjustment in respect of previous years	(160)	-
Tax at marginal rates	(8,504)	(15,249)
Current tax charge for the year (see note above)	140,664	119,827

Factors that may affect future tax charges

A reduction to the UK main corporation tax rate to 24% was substantively enacted on 26 March 2012. Further changes which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 22% by 1 April 2014 with the reduction to 23% effective from 1 April 2013 substantively enacted on 3 July 2012. The relevant deferred tax balances have been remeasured to 23%, the rate enacted by the Balance Sheet date.

Davidson Brothers (Shotts) Limited

8 Tangible fixed assets

	Freehold land and buildings	Motor vehicles	Plant and machinery	Computer and office equipment	Assets under construction	Total
	£	£	£	£	£	£
Cost or valuation						
At 1 August 2011	1,795,812	2,874,475	9,442,496	633,771	-	14,746,554
Additions	-	179,065	96,430	4,200	487,795	767,490
Disposals	-	(280,570)	-	(39,156)	-	(319,726)
At 31 July 2012	1,795,812	2,772,970	9,538,926	598,815	487,795	15,194,318
Depreciation						
At 1 August 2011	612,679	2,326,823	8,168,275	582,252	-	11,690,029
Charge for financial year	30,074	239,922	356,239	19,510	-	645,745
Disposals	-	(261,991)	-	(38,299)	-	(300,290)
At 31 July 2012	642,753	2,304,754	8,524,514	563,463	-	12,035,484
Net book value						
At 31 July 2012	1,153,057	468,218	1,014,414	35,351	487,795	3,158,834
At 31 July 2011	1,183,133	547,652	1,274,221	51,519	-	3,056,525

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2012 £	2011 £
Motor Vehicles	12,968	50,726

Included in freehold land and buildings is freehold land and buildings of £164,531 (2011: £164,531), which is not depreciated.

Davidson Brothers (Shotts) Limited

Notes to the financial statements for the year ended 31 July 2012

9 Stocks

	2012	2011
	£	£
Raw materials and consumables	684,368	975,548
Finished goods	117,621	117,107
Vehicle and machinery spares and fuel	72,837	41,961
	874,826	1,134,616

10 Debtors

	2012	2011
	£	£
Trade debtors	2,113,856	1,371,767
Other debtors	71,858	47,077
Prepayments and accrued income	33,004	111,998
	2,218,718	1,530,842

11 Creditors: amounts falling due within one year

	2012	2011
	£	£
Net obligations under hire purchase contracts	12,969	31,369
Trade creditors	1,185,397	905,453
Corporation tax	184,965	119,832
Other taxation and social security	39,171	33,641
Other creditors	205,121	200,000
Accruals and deferred income	248,148	151,300
	1,875,771	1,441,595

Davidson Brothers (Shotts) Limited

Notes to the financial statements for the year ended 31 July 2012

12 Creditors: amounts falling due after more than one year

	2012	2012
	£	£
Net obligations under finance leases and hire purchase contracts	-	13,421

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	2012	2012
	£	£
Between one and five years	-	13,421

13 Deferred taxation

	2012	2011
	£	£
At beginning of year	162,747	241,108
Released during year	(69,023)	(78,361)
At end of year	93,724	162,747

The provision for deferred taxation is made up as follows:

	2012	2011
	£	£
Accelerated capital allowances	93,724	162,747

14 Called up share capital

	2012	2011
	£	£
Allotted, called up and fully paid		
139,940 ordinary shares of £1 each	139,940	139,940

Davidson Brothers (Shotts) Limited

Notes to the financial statements for the year ended 31 July 2012

15 Reserves

	Capital redemption reserve	Profit & loss account
	£	£
At 1 August 2011	12,537	4,248,283
Profit for the financial year	-	450,702
Dividend paid	-	(36,000)
At 31 July 2012	12,537	4,662,985

16 Reconciliation of movements in shareholders' funds

	2012 £	2011 £
Opening shareholders' funds	4,400,760	4,155,665
Profit for the financial year	450,702	245,095
Dividend paid	(36,000)	-
Closing shareholders' funds	4,815,462	4,400,760

17 Net cash flow from operating activities

	2012 £	2011 £
Operating profit	596,219	297,413
Depreciation of tangible fixed assets	645,745	778,801
Profit on disposal of tangible fixed assets	(20,432)	(625)
Decrease / (Increase) in stocks	259,790	(498,759)
(Increase) in debtors	(687,876)	(434,101)
Increase / (Decrease) in creditors	382,322	(94,724)
Net cash inflow from operating activities	1,175,768	48,005

Davidson Brothers (Shotts) Limited

Notes to the financial statements for the year ended 31 July 2012

18 Analysis of cash flows for headings netted in cash flow statement

	2012 £	2011 £
Returns on investments and servicing of finance		
Interest paid	-	(6,087)
Hire purchase interest	(4,853)	(4,765)
Net cash outflow from returns on investments and servicing of finance	(4,853)	(10,852)

	2012 £	2011 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(767,490)	(327,059)
Sale of tangible fixed assets	39,868	11,300
Net cash outflow from capital expenditure	(727,622)	(315,759)

	2012 £	2011 £
Financing		
Repayment of finance leases	(31,821)	(31,370)
Loans increase / (repaid)	5,121	(21,333)
Net cash outflow from financing	(26,700)	(52,703)

Davidson Brothers (Shotts) Limited

Notes to the financial statements for the year ended 31 July 2012

19 Analysis of changes in net debt

	At 1 August 2011	Cash flow	At 31 July 2012
	£	£	£
Cash			
Cash in hand and in bank	296,540	236,039	532,579
Debt			
Finance leases	(44,790)	31,821	(12,969)
Debt repayable on demand	(200,000)	(5,121)	(205,121)
Net funds	51,750	262,739	314,489

20 Pension commitments

The company operates a defined contribution pension scheme for certain employees. 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 £6,936 (2011: £9,288).

21 Related party transactions

The directors of the company consider that there have been related party transactions between Davidson Brothers (Shotts) Limited and Locom Engineering Limited and the Davidson Brothers (Shotts) Limited Directors Retirement and Death Benefits Scheme by virtue of the fact that W M Davidson, a director and shareholder of Davidson Brothers (Shotts) Limited is also a shareholder of Locom Engineering Limited and is a Trustee of the Davidson Brothers (Shotts) Limited Directors Retirement and Death Benefits Scheme.

The value of transactions during the financial year to 31 July 2012 and the balances outstanding at year end between Davidson Brothers (Shotts) Limited and Locom Engineering Limited are as follows:

	2012 £	2011 £
Sales/services in the normal course of trade to:	26,190	109,071
Purchases/services in the normal course of trade from:	83,923	32,009
Amounts due from:	19,168	40,069

In addition, £10,000 (2011: £10,000) was paid in the year to Davidson Brothers (Shotts) Limited Directors Retirement and Death Benefits Scheme in relation to Ground rent.

Davidson Brothers (Shotts) Limited

Notes to the financial statements for the year ended 31 July 2012

22 Controlling party

W M Davidson, a director, is the controlling party of the company by virtue of his controlling interest in the company's equity capital.