

Messrs A & B Sample

Farmers

Accounts

31 March 2015

d@dd&co

Messrs A & B Sample
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**Messrs A & B Sample
Officers and Advisers**

Partners

A Sample

B Sample

Business address

FIFTEEN Rosehill
Montgomery Way
Rosehill Estate
CARLISLE
Cumbria
United Kingdom
CA1 2RW

Accountants

Dodd & Co Limited
Chartered Accountants
FIFTEEN Rosehill
Montgomery Way
Rosehill Estate
CARLISLE
CA1 2RW

**Chartered Accountants' Report to A Sample and B Sample on the Preparation
of the Unaudited Financial Information of
Messrs A & B Sample**

In accordance with the engagement letter dated 1 April 2012 we have prepared for your approval the financial information of Messrs A & B Sample for the year ended 31 March 2015 which comprises the Profit and Loss Account, the Balance Sheet, the Funds Flow Statement and the related notes from the entity's accounting records and from information and explanations you have given us.

As a member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at icaew.com/membershandbook.

This report is made solely to you, in accordance with the terms of our engagement letter dated 1 April 2012. Our work has been undertaken solely to prepare for your approval the financial information of Messrs A & B Sample and state those matters that we have agreed to state to you in this report in accordance with the guidance of ICAEW as detailed at icaew.com/compilation. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than A Sample and B Sample for our work or for this report.

You have approved the financial information for the year and have acknowledged your responsibility for it, for the appropriateness of the financial reporting framework adopted and for providing all information and explanations necessary for its compilation.

We have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the financial information.

Dodd & Co Limited
Chartered Accountants
FIFTEEN Rosehill
Montgomery Way
Rosehill Estate
CARLISLE
CA1 2RW

11 September 2015

Messrs A & B Sample
Approval of financial information

In accordance with the engagement letter dated 1 April 2012, we approve the financial information which comprises the Profit and Loss Account, the Balance Sheet, the Funds Flow Statement and the related notes.

We acknowledge our responsibility for the financial information, and for providing Dodd & Co Limited with all information and explanations necessary for its compilation.

We give our authority for the financial information to be submitted to HM Revenue and Customs.

The financial information was approved by the partners on 11 September 2015.

.....
A Sample
Partner

.....
B Sample
Partner

Messrs A & B Sample
Profit and Loss Account for the Year Ended 31 March 2015

	2015		2014	
	£	£	£	£
Gross outputs <i>(see below)</i>				
Cattle	892,904		905,685	
Arable	2,600		4,750	
		895,504		910,435
Other income <i>(see below)</i>		9,369		10,129
Grants and subsidies <i>(see below)</i>		40,452		42,452
Variable and machinery costs <i>(see below)</i>				
Variable costs	439,672		521,994	
Motor and machinery costs	160,016		168,425	
		(599,688)		(690,419)
Gross profit		345,637		272,597
Expenses <i>(see below)</i>				
Labour costs	64,875		62,450	
Establishment costs	39,934		35,184	
General administrative expenses	17,389		17,060	
Finance charges	37,118		37,773	
Depreciation charges	637		637	
		(159,953)		(153,104)
Private amenities <i>(see below)</i>		6,464		6,317
Net profit		192,148		125,810

Messrs A & B Sample
Profit and Loss Account for the Year Ended 31 March 2015

	2015 £	2014 £
Cattle		
Sales	82,478	86,245
Milk sales	814,526	824,126
Increase/(decrease) in herd	3,300	3,000
Closing stock	160,660	159,360
Purchases	(8,700)	(10,476)
Opening stock	(159,360)	(156,570)
	<u>892,904</u>	<u>905,685</u>
	2015	2014
	£	£
Arable		
Sales	3,000	4,250
Closing stock	19,050	19,450
Opening stock	(19,450)	(18,950)
	<u>2,600</u>	<u>4,750</u>
	2015	2014
	£	£
Other income		
Goods for own use	530	520
Wayleaves	189	184
Grazing income	8,650	9,425
	<u>9,369</u>	<u>10,129</u>
	2015	2014
	£	£
Grants and subsidies		
Single farm payment	40,452	42,452
	<u>40,452</u>	<u>42,452</u>
	2015	2014
	£	£
Variable costs		
Haulage	3,922	3,710
Fertiliser, seeds and sprays	50,147	47,763
Feedstuffs	304,596	392,588
Veterinary and medicines	49,875	47,326
Auction commission	2,874	2,980
Dairy expenses	28,258	27,627
	<u>439,672</u>	<u>521,994</u>

Messrs A & B Sample
Profit and Loss Account for the Year Ended 31 March 2015

	2015 £	2014 £
Motor and machinery costs		
Motor	13,896	14,200
Machinery repairs	18,475	17,950
Machinery fuel	23,456	25,121
Contracting	53,896	51,258
Depreciation of plant and machinery	50,936	59,925
Depreciation of motor vehicles	1,842	2,456
(Profit)/loss on sale of machinery	(2,485)	(2,485)
	<u>160,016</u>	<u>168,425</u>
	2015 £	2014 £
Labour costs		
Wages and salaries	<u>64,875</u>	<u>62,450</u>
	2015 £	2014 £
Establishment costs		
Rates and water	4,658	3,750
Light, heat and power	15,702	14,684
Farm repairs	19,574	16,750
	<u>39,934</u>	<u>35,184</u>
	2015 £	2014 £
General administrative expenses		
Telephone	2,845	2,900
Sundry expenses	3,954	4,210
Insurance	7,590	7,000
Accountancy fees	3,000	2,950
	<u>17,389</u>	<u>17,060</u>
	2015 £	2014 £
Finance charges		
Bank interest payable	756	741
Bank loan interest payable	6,654	6,875
Hire purchase interest	440	1,402
Bank charges	268	255
Rent	29,000	28,500
	<u>37,118</u>	<u>37,773</u>

Messrs A & B Sample
Profit and Loss Account for the Year Ended 31 March 2015

	2015	2014
	£	£
Depreciation charges		
Amortisation of milk quota	<u>637</u>	<u>637</u>
	2015	2014
	£	£
Private amenities		
Motor	(2,779)	(2,840)
Telephone	(285)	(290)
Light, heat and power	(3,140)	(2,937)
Rates and water	<u>(260)</u>	<u>(250)</u>
	<u>(6,464)</u>	<u>(6,317)</u>

Messrs A & B Sample
Balance Sheet as at 31 March 2015

		2015		2014	
	Note	£	£	£	£
Fixed assets					
Intangible assets	2		-		637
Tangible assets	3		967,100		876,584
			<u>967,100</u>		<u>877,221</u>
Current assets					
Stocks		199,348		192,015	
Trade debtors		73,538		80,236	
Capital retention		46,660		38,174	
		<u>319,546</u>		<u>310,425</u>	
Current liabilities					
Trade creditors		(75,278)		(82,699)	
Hire purchase		(32,356)		(44,356)	
Bank current account		(30,609)		(18,044)	
Bank loan		(139,295)		(154,145)	
		<u>(277,538)</u>		<u>(299,244)</u>	
Net current assets			42,008		11,181
Net assets			<u>1,009,108</u>		<u>888,402</u>
Financed by:					
Capital accounts					
	4				
As at 1 April 2014		888,402		822,934	
Capital introduced		6,874		7,842	
Profit share		192,148		125,810	
			<u>1,087,424</u>		956,586
Drawings			(78,316)		(68,184)
			<u>1,009,108</u>		<u>888,402</u>

Messrs A & B Sample
Notes to the Accounts for the Year Ended 31 March 2015

1 Accounting policies

Basis of preparation

The accounts have been prepared under the historical cost convention.

Turnover

Turnover represents the invoiced value of sales of goods, net of value added tax, except in respect of service contracts where turnover is recognised when the right to consideration is obtained.

Amortisation of Milk Quota

Purchased milk quota is being amortised on a straight line basis over its useful economic life, which is expected to end on 31 March 2015. In addition, an annual impairment review is being performed.

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Implements and machinery	15% reducing balance
Motor vehicles	25% reducing balance

Stock

Stock is valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. The cost of livestock is determined on an individual basis, and represents the purchase cost plus any additional costs of rearing the animal. Net realisable value is based on selling price less anticipated selling costs.

Herd stock

Herd stock is included in the balance sheet at the original cost of the herd adjusted annually for additions to, or disposals from the herd.

Additions to the herd are included at cost except where there is a reinstatement of disposals to the herd from the prior year. In this case they are reinstated at the average cost of the related disposal.

Disposals to the herd are disposed of at an average cost except where there have been additions to the herd in the prior year. In this case they are disposed of on a last in first out basis.

Messrs A & B Sample
Notes to the Accounts for the Year Ended 31 March 2015

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Hire purchase and finance lease contracts

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the partnership, are capitalised in the balance sheet as tangible fixed assets and are depreciated over their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Assets held under hire purchase agreements are capitalised as tangible fixed assets and are depreciated over their useful lives. The capital element of future finance payments is included within creditors. Finance charges are allocated to accounting periods over the length of the contract.

Messrs A & B Sample
Notes to the Accounts for the Year Ended 31 March 2015

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2 Intangible fixed assets

	Milk quota £
Cost	
As at 1 April 2014	37,198
Disposals	(37,198)
As at 31 March 2015	<u>-</u>
Amortisation	
As at 1 April 2014	36,561
Eliminated on disposals	(37,198)
Charge for the year	637
As at 31 March 2015	<u>-</u>
Net book value	
As at 31 March 2015	<u>-</u>
As at 31 March 2014	<u><u>637</u></u>

3 Tangible fixed assets

	Property improve- ments £	Implements and machinery £	Motor vehicles £	Herd £	Total £
Cost					
As at 1 April 2014	345,144	630,260	17,526	184,500	1,177,430
Additions	-	156,400	-	3,300	159,700
Disposals	-	(24,000)	-	-	(24,000)
As at 31 March 2015	<u>345,144</u>	<u>762,660</u>	<u>17,526</u>	<u>187,800</u>	<u>1,313,130</u>
Depreciation					
As at 1 April 2014	-	290,686	10,160	-	300,846
Eliminated on disposals	-	(7,594)	-	-	(7,594)
Charge for the year	-	50,936	1,842	-	52,778
As at 31 March 2015	<u>-</u>	<u>334,028</u>	<u>12,002</u>	<u>-</u>	<u>346,030</u>
Net book value					
As at 31 March 2015	<u>345,144</u>	<u>428,632</u>	<u>5,524</u>	<u>187,800</u>	<u>967,100</u>
As at 31 March 2014	<u><u>345,144</u></u>	<u><u>339,574</u></u>	<u><u>7,366</u></u>	<u><u>184,500</u></u>	<u><u>876,584</u></u>

Messrs A & B Sample
Notes to the Accounts for the Year Ended 31 March 2015

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4 Capital accounts

	A Sample £	B Sample £	Total £
As at 1 April 2014	484,397	404,005	888,402
Capital introduced	6,874	-	6,874
Share of profit	96,074	96,074	192,148
Drawings	(41,900)	(36,416)	(78,316)
As at 31 March 2015	<u>545,445</u>	<u>463,663</u>	<u>1,009,108</u>

Drawings analysis

	A Sample £	B Sample £	Total £
Drawings	32,258	27,874	60,132
Taxation	9,642	8,542	18,184
	<u>41,900</u>	<u>36,416</u>	<u>78,316</u>

Messrs A & B Sample
Stocklist for the Year Ended 31 March 2015

Herd Stock

			£	£
Cattle				
	2	Bulls	3,000	
	330	Cows	181,500	
	<u>332</u>		<u>184,500</u>	
Add	6	Cows @ £550	3,300	
	<u>338</u>		<u>3,300</u>	<u>£187,800</u>

Messrs A & B Sample
Stocklist for the Year Ended 31 March 2015

Trading Stock

	£	£
Cattle		
32 In calf heifers @ £650	20,800	
100 Heifers (over 12 months) @ £640	64,000	
148 Heifers (6 to 12 months) @ £410	60,680	
62 Heifers (less than 6 months) @ £90	5,580	
30 Bulls (6 to 24 months) @ £240	7,200	
24 Bulls (less than 6 months) @ £100	2,400	
<u>396</u>		160,660
 Crop		
250 Tonne maize @ £25	6,250	
550 Tonne silage @ £17	9,350	
30 Acres winter barley @ £90	2,700	
10 Acres winter wheat @ £75	750	
		19,050
 Fertiliser, seeds and sprays		2,850
 Feedstuffs		8,540
 Dairy chemicals		300
 Fuel		1,515
		<u>£192,915</u>

Messrs A & B Sample
Funds Flow Statement for the Year Ended 31 March 2015

	2015	
	£	£
Net profit for year	192,148	
Depreciation	53,415	
Profit on disposal of fixed assets	(2,485)	
	50,930	
		243,078
Increase in stocks	(10,633)	
Decrease in trade debtors	6,698	
Increase in trade investments	(8,486)	
Decrease in trade creditors	(7,421)	
	(19,842)	
Cash generated from trading		223,236
Fixed assets purchased		(156,400)
Fixed assets sold		18,891
Decrease in bank loans		(14,850)
Decrease in hire purchase		(12,000)
		(164,359)
Drawings		(78,316)
Less capital introduced		6,874
Net cash drawn		(71,442)
Decrease in cash and bank		(12,565)

Messrs A & B Sample
Results by Unit Cost for the Year Ended 31 March 2015

	2015		2014	
	Your results	Interim	Your results	Average
Milk litres sold	<u>2,581,628</u>	<u>1,834,787</u>	<u>2,475,614</u>	<u>2,505,459</u>
Milk sales	31.55	29.87	33.29	33.29
Single farm payment	1.57	1.58	1.71	1.44
Other income	<u>3.50</u>	<u>5.31</u>	<u>3.90</u>	<u>4.59</u>
Gross outputs	36.62	36.76	38.90	39.32
Haulage	0.15	0.14	0.15	0.17
Fertiliser, seeds and sprays	1.94	1.78	1.93	1.63
Feedstuffs	11.80	12.35	15.86	15.20
Veterinary and medicines	1.93	1.84	1.91	1.79
Auction commission	0.11	0.15	0.12	0.15
Quota leasing	0.00	0.14	0.00	0.39
Dairy expenses	<u>1.09</u>	<u>1.04</u>	<u>1.12</u>	<u>1.16</u>
Total variable costs	17.03	17.44	21.09	20.49
Gross margin	19.59	19.32	17.81	18.83

Messrs A & B Sample
Results by Unit Cost for the Year Ended 31 March 2015

	2015		2014	
	Your results	Interim	Your results	Average
Gross margin	19.59	19.32	17.81	18.83
Motor	0.43	0.36	0.46	0.29
Machinery repairs	0.72	0.72	0.73	0.70
Machinery fuel	0.91	0.85	1.01	1.06
Contracting	2.09	2.58	2.07	2.08
Machinery depreciation	1.95	2.55	2.42	1.73
Other motor and machinery costs	0.00	0.07	0.00	0.07
Total motor and machinery costs	6.09	7.13	6.69	5.93
Labour costs	2.51	1.60	2.52	2.62
Rates and water	0.17	0.22	0.14	0.14
Light, heat and power	0.49	0.59	0.47	0.61
Farm repairs	0.76	0.93	0.68	1.33
Property depreciation	0.00	0.23	0.00	0.14
Total establishment costs	1.42	1.97	1.29	2.22
Sundry	0.37	0.15	0.39	0.41
Insurance	0.29	0.31	0.28	0.22
Total administrative expenses	0.66	0.46	0.68	0.63
Loan interest	0.26	0.90	0.28	0.57
Bank interest and charges	0.04	0.22	0.04	0.16
Rent, grazing and wintering	1.12	0.99	1.15	1.06
Hire purchase interest	0.02	0.08	0.06	0.05
Total rent and finance charges	1.44	2.19	1.53	1.84
Amortisation/impairment of SFP/milk quota and other depreciation	0.02	0.45	0.03	0.04
Profit	7.44	5.52	5.08	5.55
Drawings	2.33	2.53	2.02	2.49
Tax	0.70	0.45	0.73	0.20
Surplus / (deficit)	4.41	2.54	2.33	2.86