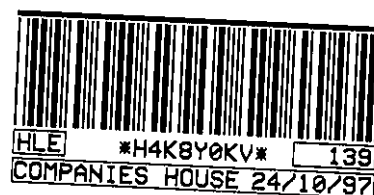


Appleby Farms Limited

Annual report for the year ended 31 December 1996

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Directors and advisers

Executive directors

Chairman

Baron Saint Oswald

Baroness Saint Oswald
The Hon C R A Winn
Mrs L A Winn

Secretary and registered office

T Haigh Esq
Nostell Estate Office
Nostell
WAKEFIELD
WF4 1QD

Auditors

Coopers & Lybrand
Benson House
33 Wellington Street
LEEDS
LS1 4JP

Solicitors

Currey & Co
21 Buckingham Gate
LONDON
SW1 6LS

Bankers

National Westminster Bank Plc
14 Market Place
BRIGG
DN20 8EU

**Directors' report
for the year ended 31 December 1996**

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

Principal activities

The principal activity of the company is that of farming.

Review of business and future developments

The profit and loss account for the year is set out on page 5.

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend.

Directors

The directors of the company at 31 December 1996, all of whom have been directors for the whole of the year ended on that date, were:-

Baron Saint Oswald
Baroness Saint Oswald
The Honourable C R A Winn
Mrs L A Winn

On 4 September 1997 Baron and Baroness Saint Oswald resigned as directors of the company.

Directors' interests in shares of the company

The interests of the directors of the company at 31 December 1996 in shares of the company, according to the register required to be kept by Section 325 of the Companies Act 1985, were as follows:-

	At 31 December 1996 and 31 December 1995 Number
Ordinary Class "A" shares of £1 each	
The Honourable C R A Winn	£100,000

As a result of the settlement in favour of the issue of The Honourable C R A Winn, he has an interest in the 50 'B' ordinary shares of £1 each.

G W Middlemiss a partner in Coopers & Lybrand, has a non-beneficial interest in the 50 'B' ordinary shares of £1 each at 31 December 1996.

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1996. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke at the end.

The Honourable CRA Winn
Company Secretary

Report of the auditors to the members of Appleby Farms Limited

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of directors and auditors

As described on page 3 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.

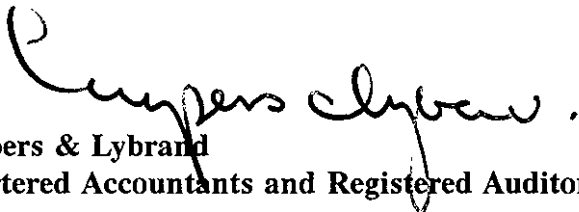
Basis of opinion

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 other irregularity or error. 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 at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Coopers & Lybrand
Chartered Accountants and Registered Auditors
Leeds

23 Oct 1997

**Profit and loss account
for the year ended 31 December 1996**

	Notes	1996 £	1995 £
Turnover	2	799,132	661,154
Cost of sales		<u>291,573</u>	<u>289,900</u>
Gross profit		507,559	371,254
Administrative expenses		<u>181,198</u>	<u>168,275</u>
Operating profit before interest and taxation		326,361	202,979
Interest receivable and similar income		9,656	4,600
Interest payable and similar charges	6	<u>(730)</u>	<u>(771)</u>
Profit on ordinary activities before taxation	7	335,287	206,808
Tax on ordinary activities	8	<u>(107,658)</u>	<u>(56,981)</u>
Retained profit for the year	17	<u><u>227,629</u></u>	<u><u>149,827</u></u>

All of the trading during the year related to continuing operations.

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

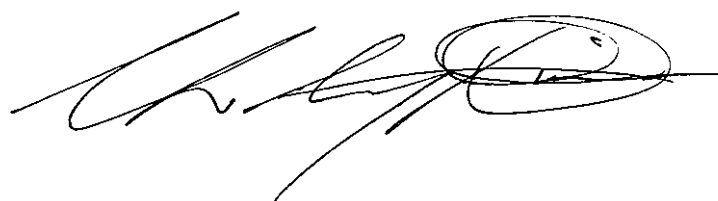
There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

Balance Sheet at 31 December 1996

	Notes	1996 £	1995 £
Fixed assets			
Tangible assets	9	113,728	111,825
Current assets			
Stocks	10	242,724	261,433
Debtors	11	184,898	334,116
Cash at bank and in hand		324,308	417
		751,930	595,966
Creditors: amounts falling due within one year	12	328,296	381,252
Net current assets		423,634	214,714
Total assets less current liabilities		537,362	326,539
Creditors: amounts falling due after more than one year	13	-	12,806
Provision for liabilities and charges			
Deferred taxation	14	-	4,000
		-	16,806
Net assets		537,362	309,733
Capital and reserves			
Called up share capital	15	100,050	100,050
Profit and loss account	16	437,312	209,683
Equity shareholders' funds		537,312	309,683
Non-equity shareholders' funds		50	50
Total shareholders' funds	17	537,362	309,733

The financial statements on pages 5 to 14 were approved by the board of directors on 20th October 97 and were signed on its behalf by:

Director



Notes to the financial statements for the year ended 31 December 1996

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Changes in presentation of financial information

FRS 8 'Related party disclosures' requires the disclosure of the details of material transactions between the reporting entity and any related parties. The new standard comes into effect for all accounting periods commencing on or after 23 December 1995. Accordingly, the new disclosure requirements are dealt with in notes 19 and 20.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Fixed assets

The cost of fixed assets is their purchase cost together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose, which are consistent with those of the previous year, are:

	%
Farm machinery	20
Motor vehicles	25
General equipment	20
Leasehold property improvements	5

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes all direct expenditure and production overheads based on the normal level of activity. Provision is made where necessary for obsolete, slow moving and defective stocks.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied and agricultural grants received.

Taxation

The charge for taxation is based on the profit for the year as adjusted for disallowable items and other permanent differences. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Where fixed assets are financed by leasing agreements which transfer to the company substantially all the benefits and risks of ownership the assets are treated as if they had been purchased outright and are included in tangible fixed assets. The capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Cash flow

The company is exempt from preparing a cash flow statement under FRS1 because it is a small company as defined by the Companies Act 1985.

Agricultural grants

Grants due or received relating to the harvest in the financial year are accounted for on an accruals basis in relation to the proportion of the harvest sold pre year end or held in stock.

2 Turnover

Turnover arises from farming activities within the United Kingdom.

3 Directors' emoluments

	1996 £	1995 £
Salary payments (including benefits in kind)	<u>5,718</u>	<u>7,617</u>

The number of directors who received emoluments (excluding benefits in kind) in the following ranges were:

	1996 Number	1995 Number
£0 to £5,000	<u>4</u>	<u>4</u>

4 Employee information

The average weekly number of persons, (including directors), employed by the company during the year is analysed by type of work below:

	1996 Number	1995 Number
Production	4	5
Administration	<u>4</u>	<u>4</u>
	<u>8</u>	<u>9</u>

Employment costs of all employees included above:

	1996 £	1995 £
Wages and salaries	45,362	48,614
Social security costs	<u>4,470</u>	<u>5,506</u>
	<u>49,832</u>	<u>54,120</u>

5 Interest receivable and similar income

Interest receivable and similar income consists of interest on the deposit account.

6 Interest payable and similar charges

Interest payable and similar charges relates to sums wholly repayable within 5 years, not by instalments, as follows:

	1996 £	1995 £
Bank overdraft	730	771
	<u> </u>	<u> </u>

7 Profit on ordinary activities before taxation

	1996 £	1995 £
Profit on ordinary activities before taxation is stated after crediting:		
Profit on sale of tangible fixed assets	-	14,267
Grants receivable	233,515	189,319
Rental income	10,367	9,970
	<u> </u>	<u> </u>
And after charging:		
Auditors' remuneration	4,200	4,150
Operating lease rentals		
- land	87,000	87,000
- plant and machinery	38,204	32,858
Depreciation of tangible fixed assets		
- owned	43,727	37,386
- asset under finance lease	6,000	6,000
Loss on sale of tangible fixed assets	3,525	-
	<u> </u>	<u> </u>

8 Tax on profit on ordinary activities

	1996 £	1995 £
United Kingdom corporation tax at 25% (1995: 25%)		
Current	112,000	60,000
Deferred	(4,000)	(2,900)
	<u> </u>	<u> </u>
	108,000	57,100
Over provision in respect of prior years	(342)	(119)
	<u> </u>	<u> </u>
	107,658	56,981
	<u> </u>	<u> </u>

9 Tangible fixed assets

	Leasehold property improvements £	Farm machinery £	Motor vehicles £	General equipment £	Total £
Cost					
At 1 January 1996	15,477	236,284	34,891	1,907	288,559
Additions	-	62,195	-	-	62,195
Disposals	-	(19,998)	-	(137)	(20,135)
At 31 December 1996	15,477	278,481	34,891	1,770	330,619
Depreciation					
At 1 January 1996	1,174	152,786	21,190	1,584	176,734
Charge for year	773	44,282	4,566	106	49,727
Disposals	-	(9,435)	-	(135)	(9,570)
At 31 December 1996	1,947	187,633	25,756	1,555	216,891
Net book value					
At 31 December 1996	13,530	90,848	9,135	215	113,728
Net book value					
At 31 December 1995	14,303	83,498	13,701	323	111,825

The net book value of the asset under finance lease is £18,000 (1995: £24,000).

10 Stocks

	1996 £	1995 £
Raw materials and consumables	51,951	50,814
Work in progress	85,633	83,723
Finished goods and goods for resale	105,140	126,896
	242,724	261,433

11 Debtors

	1996 £	1995 £
Amounts falling due within one year		
Trade debtors	156,840	72,055
Value added tax	6,835	1,525
Prepayments and accrued income	14,233	19,508
Other debtors	6,990	167,428
Payment to director (see below)	-	73,600
	184,898	334,116

The payment was made by the company to The Honourable C R A Winn, in circumstances where The Honourable C R A Winn was holding the monies on deposit, at a commercial rate of interest for the benefit of the company.

	Balance outstanding		Maximum liability during the year £
	At 1 January 1996 £	At 31 December 1996 £	
The Honourable C R A Winn	73,600	Nil	176,173

In 1996 the monies were repaid together with the interest due of £7,173.

12 Creditors: amounts falling due within one year

	1996 £	1995 £
Bank overdraft	-	45,377
Trade creditors	26,047	52,498
Corporation tax	112,000	60,000
Payroll taxes	776	687
Accruals and deferred income	181,649	214,866
Obligations under finance lease	7,824	7,824
	<u>328,296</u>	<u>381,252</u>

13 Creditors: amounts falling due after more than one year

	1996 £	1995 £
Loan (see below)	-	4,982
Obligations under finance lease	-	7,824
	<u>-</u>	<u>12,806</u>

The loan from The Honourable C R A Winn was interest free, unsecured and there were no fixed terms of repayment. The loan was repaid during the year.

The net finance lease obligations to which the company is committed are:

	1996 £	1995 £
In one year or less	7,824	7,824
Between two and five years	-	7,824
	<u>7,824</u>	<u>15,648</u>

14 Deferred taxation

Deferred taxation provided in the financial statements, which represents the full potential liability, is as follows:

	Amount provided	
	1996	1995
	£	£
Accelerated capital allowances	-	4,000
	<u> </u>	<u> </u>

Movements on the provision for deferred taxation are:

	£
At 1 January 1996	4,000
Transferred to profit and loss account	(4,000)
	<u> </u>
At 31 December 1996	-
	<u> </u>

15 Called up share capital

	31 December 1996 and 31 December 1995	
	Class 'A'	Class 'B'
Authorised, allotted, called up and fully paid		
Ordinary shares at £1 each	100,000	50
	<u> </u>	<u> </u>

The A ordinary shares are entitled to receive dividends, carry voting rights except in certain circumstances set out in the Articles of Association when they carry only 25% of the total voting rights, rank second behind the B ordinary shares after payment of the nominal value of the B shares in a winding up and are entitled to any surplus upon a winding up. They have been classed as equity.

The B ordinary shares are not entitled to dividends, receive no voting rights except in certain circumstances set out in the Articles of Association when they receive 75% of the total voting rights, rank first in a winding up but do not share in any surplus upon a winding up. They have been classed as non-equity.

16 Statement of retained profits

	£
At 1 January 1996	209,683
Retained profit for the year	227,629
	<u> </u>
At 31 December 1996	437,312
	<u> </u>

17 Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Retained profit for the year	227,629	149,827
Opening shareholders' funds	<u>309,733</u>	<u>159,906</u>
Closing shareholders' funds	<u><u>537,362</u></u>	<u><u>309,733</u></u>

18 Contingent liabilities and financial commitments

Lease commitments

The company has a yearly tenancy of certain land and buildings. The tenancy may be terminated by giving not less than twelve calendar months notice in writing expiring at the end of any year of the tenancy. The company pays the tenant repairs of these properties. The rent payable is £87,000 per annum.

19 Related Party Transactions

Nostell Home Farm and Nostell Priory Holiday Homes Limited are subject to the common control of C R A Winn, a director of the company.

During the year the company entered into the following transactions:

- purchases of labour, materials and machinery hire from Nostell Home Farm on an arms length basis at market value. Aggregated purchases amounted to £36,665.
- purchase of a caravan from Nostell Priory Holiday Homes Limited for £3,686.
- note 11 details the transactions during the year between C R A Winn and the company.

20 Ultimate controlling party

The Honorable C R A Winn is the controlling party by virtue of his controlling interest in the company's "A" ordinary shares.

Appleby Farms Limited

Detailed profit and loss account for the year ended 31 December 1996

	1996	1995
£	£	£
Sales		
Crops	585,473	472,246
Sundry income	213,659	188,908
	<u>799,132</u>	<u>661,154</u>
Cost of sales		
Grain, seeds, fertilizers	136,610	137,985
Depreciation farm machinery	44,282	35,470
Labour	49,832	54,120
Fuel and oil	11,568	9,600
Contracting	43,195	43,826
Fertilizer/lime	6,086	8,899
	<u>(291,573)</u>	<u>(289,900)</u>
Gross profit	<u>507,559</u>	<u>371,254</u>
Administrative expenses		
Directors' remuneration	-	-
Depreciation		
General equipment	879	880
Motor vehicles	4,566	7,037
Petrol	350	427
Insurance	3,713	3,239
Telephone	840	667
Rates	6,516	6,951
Repairs and maintenance	30,853	28,041
Electricity	2,924	3,151
Audit and accountancy	6,095	4,925
Professional/consultancy fees	5,736	9,606
Postage/stationery	120	60
Rent	87,000	87,000
Sundries	2,016	4,673
Management charge	26,085	25,885
(Loss)/profit on sale of tangible fixed assets	(3,525)	14,267
	<u>(181,198)</u>	<u>(168,275)</u>
Operating profit	<u>326,361</u>	<u>202,979</u>
Interest receivable and similar income	9,656	4,600
Interest payable and similar charges	(730)	(771)
	<u>8,926</u>	<u>3,829</u>
Profit on ordinary activities before taxation	<u>335,287</u>	<u>206,808</u>