

**Deloitte &  
Touche**

Deloitte Touche  
Tohmatsu



Company Registration No. 743141

**HANFORD HOLDINGS PLC**  
**Report and Financial Statements**  
**31 October 1998**

Deloitte & Touche  
Queen Anne House  
69-71 Queen Square  
Bristol  
BS1 4JP



**REPORT AND FINANCIAL STATEMENTS 1998**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

I Spencer II (Chairman)  
Mrs A C Spencer  
J T Shanahan

**SECRETARY**

J B Roe FCA

**REGISTERED OFFICE**

Bourne Park  
Piddlehinton  
Dorchester  
Dorset DT2 7TU

**BANKERS**

Midland Bank Plc  
15 Cornhill  
Dorchester  
Dorset DT1 1BJ

**SOLICITORS**

Preston & Redman  
Hinton House  
Hinton Road  
Bournemouth  
Dorset BH1 2EN

**AUDITORS**

Deloitte & Touche  
Queen Anne House  
69-71 Queen Square  
Bristol BS1 4JP

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 October 1998.

**ACTIVITIES**

The principal activity of the company is the provision of land and management resources. The subsidiary companies' principal activities are those of mixed farming, animal feedstuff compounding and building contracting.

**REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

The trading difficulties experienced last year have persisted and become even more challenging, so much so that a restructuring of the company has become necessary.

The cyclical down-turn in the pig cycle became a slump with prices dropping to their lowest level for sixty years, driven by a combination of global over production, reduced consumption and strength in sterling. This at a time of significant capital investment has necessitated the closure of one farm and the streamlining of production on fewer sites.

Milk and cereals were adversely affected by currency and global supply and with little prospect of an immediate recovery future rationalisation is planned in this sector.

The animal feeds sector remains over supplied and whilst capacity is declining with the closure of mills, competitive pricing has squeezed margins down to negative levels. Until capacity is in phase with demand this situation will continue.

The group's service activities of construction and vehicle maintenance continue, primarily on in-house work which is both convenient and cost effective.

The programme of asset redeployment initiated in 1995 has been continued with the further sale of milk quota and further disposals are being considered in the light of the very hostile trading environment. The company is dependent on the continuing support of its bankers but the directors are confident that the group will continue to trade for the foreseeable future.

The directors acknowledge the contribution made by a highly motivated and professional staff and thank them for their continued commitment at a time of a very significant challenge and change.

**DIVIDENDS AND TRANSFERS TO RESERVES**

No interim dividends on the ordinary shares (1997: £8,000) were paid during the year. The directors do not propose the payment of a final dividend for the year under review (1997: £nil). The group retained loss of £1,741,868 (1997: profit of £893,689) has been transferred (from)/to reserves.

**PAYMENT POLICY**

The Company agrees payment terms with each of its major suppliers and abides by these terms, subject to satisfactory performance by the supplier. Amounts owed to other suppliers are settled on or before the end of the month following receipt of a valid invoice. The number of creditor days outstanding at 31 October 1998 was 45 (1997: 34 days).

**YEAR 2000**

The directors have considered the potential risks and uncertainties associated with the coming of the year 2000 and are satisfied that any problems can be resolved at no significant cost to the company or the group.

**DIRECTORS' REPORT****FIXED ASSETS**

During the year the group continued with its programme of capital investment, investing a total of £2,980,122 in fixed assets. In the opinion of the directors, the group's property interests are likely to be worth considerably more than their net book value, but a full professional valuation has not been carried out in view of the expenses involved. Furthermore, since the board does not foresee the sale of this property further deferred tax has not been provided.

**POST BALANCE SHEET EVENTS**

Since the end of the year the Feeds business and related assets has been sold.

**DIRECTORS AND THEIR INTERESTS**

The present membership of the Board is set out on page 1. All directors served throughout the year.

The directors' beneficial interests in the ordinary shares of the company at 31 October 1998 and at 26 October 1997 were:

	1998 and 1997
I Spencer II (Chairman)	18,036
Mrs A C Spencer	-
J T Shanahan	-

None of the directors had any beneficial interest in the share capital of any other group company. There have been no changes in directors' interests between the year end and the date that the accounts are approved.

None of the directors had an interest in any material contract during the year relating to the business of the company.

**AUDITORS**

A resolution to re-appoint Deloitte & Touche as auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

J B Roe FCA  
Secretary

**STATEMENT OF 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 the group as at the end of the financial year and of the profit or loss of the group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## AUDITORS' REPORT TO THE MEMBERS OF HANFORD HOLDINGS PLC

We have audited the financial statements on pages 6 to 28 which have been prepared under the accounting policies set out on pages 11 and 12.

### Respective responsibilities of directors and auditors

As described on page 4 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 circumstances of the company and the group, consistently applied and adequately disclosed.

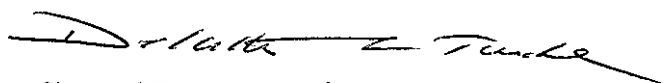
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Going concern

In forming our opinion we have considered the adequacy of the disclosures made in note 2 to the accounts concerning the uncertainty as to the continuation of support by the group's bankers. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 October 1998 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Chartered Accountants and  
Registered Auditors  
18 June 1999



**COMPANY PROFIT AND LOSS ACCOUNT**  
**Year ended 31 October 1998**

	Note	£	1998 £	£	1997 £
<b>TURNOVER: continuing operations</b>	3		1,076,978		886,563
Staff costs		183,001		166,407	
less exceptional adjustment to staff costs	5	(750,000)		-	
Net Staff costs for the year	4	(566,999)		166,407	
Depreciation of owned fixed assets		76,026		71,089	
Other operating charges		233,527		103,588	
			(257,446)		341,084
<b>OPERATING PROFIT: continuing operations</b>			1,334,424		545,479
Exceptional (loss)/profit on disposal of fixed assets: continuing operations	5		(28,655)		1,153,406
			1,305,769		1,698,885
Interest payable	6		(556,306)		(297,677)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3,7		749,463		1,401,208
Taxation on profit on ordinary activities	8		28,273		67,000
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	23		721,190		1,334,208
Dividends	9,23		-		8,000
<b>RETAINED PROFIT FOR THE YEAR</b>			721,190		1,326,208
transferred to reserves					

There are no recognised gains or losses for the current and prior year other than as stated above. Accordingly, no statement of total recognised gains and losses is given.


**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 31 October 1998**

	Note	£	1998 £	£	1997 £
<b>TURNOVER - continuing operations</b>	3		11,765,773		14,763,614
Decrease in stock and work in progress			(662,951)		(102,555)
			<u>11,102,822</u>		<u>14,661,059</u>
Purchases and raw materials		7,442,121		9,002,148	
Other external charges		1,102,189		957,483	
			<u>8,544,310</u>		<u>9,959,631</u>
			<u>2,558,512</u>		<u>4,701,428</u>
Staff costs	4	2,837,364		2,507,226	
less exceptional adjustment to staff costs	5	(750,000)		-	
Net Staff costs for the year		<u>2,087,364</u>		<u>2,507,226</u>	
Depreciation of owned fixed assets		601,816		489,120	
Depreciation of leased fixed assets		86,788		174,106	
Amortisation of intangible assets		5,000		5,000	
Other operating charges		<u>1,337,459</u>		<u>1,315,762</u>	
			<u>4,118,427</u>		<u>4,491,214</u>
<b>OPERATING (LOSS)/PROFIT: continuing operations</b>			<u>(1,559,915)</u>		<u>210,214</u>
Profit on disposal of fixed assets: continuing operations					
Exceptional	5	263,291		1,153,406	
Other		<u>(28,655)</u>		<u>-</u>	
			<u>234,636</u>		<u>1,153,406</u>
			<u>(1,325,279)</u>		<u>1,363,620</u>
Interest payable	6		<u>566,827</u>		<u>311,674</u>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3,7		<u>(1,892,106)</u>		<u>1,051,946</u>
Taxation on (loss)/profit on ordinary activities	8		<u>(150,238)</u>		<u>150,257</u>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>			<u>(1,741,868)</u>		<u>901,689</u>
Dividends	9,23		<u>-</u>		<u>8,000</u>
<b>RETAINED (LOSS)/PROFIT FOR THE YEAR</b>			<u>(1,741,868)</u>		<u>893,689</u>
transferred to reserves			<u><u>-</u></u>		<u><u>-</u></u>

There are no recognised gains or losses for the current and prior year other than as stated above. Accordingly, no statement of total recognised gains and losses is given.



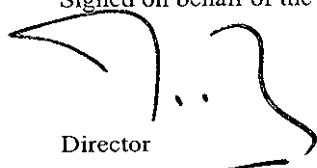

**COMPANY BALANCE SHEET  
31 October 1998**

	Note	£	1998 £	£	1997 £
<b>FIXED ASSETS</b>					
Tangible assets	11		3,310,749		3,381,746
Investments	12		50,000		50,000
			<u>3,360,749</u>		<u>3,431,746</u>
<b>CURRENT ASSETS</b>					
Debtors	15	47,501		602,071	
Cash at Bank and in hand		5,226,814		-	
		<u>5,274,315</u>		<u>602,071</u>	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	16	(843,153)		(953,925)	
<b>NET CURRENT ASSETS / (LIABILITIES)</b>			<u>4,431,162</u>		<u>(351,854)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			7,791,911		3,079,892
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	18		(5,079,266)		(1,088,437)
			<u>2,712,645</u>		<u>1,991,455</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	21	172,845		172,845	
Share premium account	22	261,353		261,353	
Revaluation reserve	22	39,676		39,676	
Capital redemption reserve	22	52,269		52,269	
Profit and loss account	22	2,186,502		1,465,312	
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	22		<u>2,712,645</u>		<u>1,991,455</u>

These financial statements were approved by the Board of Directors on

22/5/99

Signed on behalf of the Board of Directors

  
Director

**CONSOLIDATED BALANCE SHEET  
As at 31 October 1998**

	Note	£	1998 £	£	1997 £
<b>FIXED ASSETS</b>					
Intangible assets	10		-		5,000
Tangible assets	11		8,845,416		7,242,680
			8,845,416		7,247,680
Dairy and pig herds	13		397,086		323,092
			9,242,502		7,570,772
<b>CURRENT ASSETS</b>					
Stock and work in progress	14	1,069,962		1,729,496	
Debtors	15	1,276,181		1,538,634	
Cash at bank and in hand		608		3,223	
		2,346,751		3,271,353	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	16	(4,266,515)		(5,570,593)	
<b>NET CURRENT LIABILITIES</b>			(1,919,764)		(2,299,240)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			7,322,738		5,271,532
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	18		(5,087,704)		(1,124,630)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
Deferred tax	20		-		(170,000)
			2,235,034		3,976,902
<b>CAPITAL AND RESERVES</b>					
Called up share capital	21,22	172,845		172,845	
Share premium account	22	261,353		261,353	
Revaluation reserve	22	39,676		39,676	
Capital redemption reserve	22	52,269		52,269	
Profit and loss account	22	1,708,891		3,450,759	
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	22		2,235,034		3,976,902

These financial statements were approved by the Board of Directors  
Signed on behalf of the Board of Directors

27/5/99

Director


**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 October 1998**

	Note	1998 £	1997 £
<b>Net cash inflow from operating activities</b>	23	152,324	1,384,275
<b>Returns on investments and servicing of finance</b>			
Bank interest paid	(530,719)	(288,928)	
Interest element of finance lease and hire purchase payments	(10,521)	(13,142)	
<b>Net cash outflow from returns on investments and servicing of finance</b>		(541,240)	(302,070)
<b>Taxation:</b>			
UK Corporation tax and ACT received/(paid)	11,344	(4,000)	
<b>Tax (paid)/received</b>		11,344	(4,000)
<b>Capital expenditure and financial investment:</b>			
Payments to acquire fixed assets	(2,980,122)	(2,832,546)	
Receipts from sale of fixed assets	47,826	138,013	
Receipts from sale of investments (exceptional)	14,122	200,000	
Receipts from sale of quota (exceptional)	263,291	522,593	
(Payment for)/receipts from sale of herd account animals	(73,994)	83,148	
Receipts from sale of land (exceptional)	607,223	-	
<b>Net cash outflow from capital expenditure and financial investment</b>		(2,121,654)	(1,888,792)
<b>Equity dividends paid</b>		-	(8,000)
<b>Net cash outflow before financing</b>		(2,499,226)	(818,587)
<b>Financing:</b>			
Loan repayments	24	(485,287)	(199,373)
Capital element of finance lease and hire purchase payments	24	(75,090)	(125,033)
New borrowings	24	5,000,000	-
<b>Net cash (inflow)/outflow from financing</b>		4,439,623	(324,406)
<b>Increase/(decrease) in cash</b>	24	1,940,397	(1,142,993)

**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1998****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain freehold properties and the valuation of the herds.

**Basis of consolidation**

The group financial statements consolidate the financial statements of the company and all subsidiaries for the financial year ended 31 October. Profits arising on trading between group companies are excluded. All companies within the group make up their accounts to the same date.

**Intangible fixed assets**

Goodwill is the amount by which the purchase consideration paid for the assets of the company exceeded the fair value of the net assets acquired. This is written off to revenue reserves in equal instalments over 10 years which is judged by the directors to be the useful economic life of the goodwill.

**Tangible fixed assets**

Depreciation is not provided on freehold land. On other assets it is provided on cost or revalued amounts in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Freehold buildings	2% - 10% per annum
Plant and machinery	10% - 20% per annum
Office equipment	20% - 25% per annum
Motor vehicles	20% - 25% per annum

**Investments**

Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

**Herds**

The herds are valued at a standard average cost based on the historic value of the herd.

**Stocks**

Stocks and work in progress are stated at the lower of cost and net realisable value. The cost of home produced animals consists of the cost of food together with the necessary labour, based on the ages of the animals. Cost in the case of bought items consists of purchase costs and transport and handling costs. In the case of manufactured items and work in progress cost also includes direct labour. Net realisable value means the estimated proceeds of sale less all costs to be incurred in marketing and selling.

**Deferred taxation**

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1998****1. ACCOUNTING POLICIES (continued)****Pension costs**

The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme, in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

**Leases**

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

**2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

These financial statements are prepared on the going concern basis. During the year the group incurred losses of £1,741,868. The company and the group are dependent on the continuing support of their bankers. The directors believe that the group's bankers will continue to support it and on this basis the financial statements do not include any adjustments that would result from a withdrawal of support by the company's bankers.


**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1998**
**3. TURNOVER AND SEGMENTAL ANALYSIS**

Turnover represents amounts invoiced by the company to outside customers excluding value added tax.  
 All turnover relates to sales within the United Kingdom.

Analysis of class of business of turnover and profit/(loss) before taxation are stated below:

Turnover	1998		1997	
	Group £	Company £	Group £	Company £
Farming activities and agricultural land rental	5,642,948	461,725	6,539,021	439,991
Animal feeds	5,994,337	-	7,899,786	-
Building contracting and related activities	128,488	-	324,807	-
Management charges	-	615,253	-	446,572
	<u>11,765,773</u>	<u>1,076,978</u>	<u>14,763,614</u>	<u>886,563</u>

Profit/(loss) before taxation	1998		1997	
	Group £	Company £	Group £	Company £
Farming activities and agricultural land rental	(1,686,812)	749,463	962,545	1,401,208
Animal feeds	(241,287)	-	37,218	-
Building contracting and related activities	35,993	-	52,183	-
	<u>(1,892,106)</u>	<u>749,463</u>	<u>1,051,946</u>	<u>1,401,208</u>

**Analysis of class of net assets:**

	1998		1997	
	Group £	Company £	Group £	Company £
Farming activities and agricultural land rental	852,574	2,712,645	2,416,239	1,991,455
Animal feeds	1,034,132	-	1,255,419	-
Building contracting and related activities	348,328	-	305,244	-
	<u>2,235,034</u>	<u>2,712,645</u>	<u>3,976,902</u>	<u>1,991,455</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1998**
**4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	1998 £	1997 £
<b>Directors' emoluments:</b>		
Emoluments, excluding pension contributions	248,724	195,378
less exceptional adjustment (note 5)	(750,000)	-
	<u>(501,276)</u>	<u>195,378</u>
Remuneration of the highest paid director, excluding pension contributions and exceptional item	<u>107,877</u>	<u>86,163</u>
Contributions to pension schemes attributable to the highest paid director	<u>8,300</u>	<u>-</u>

The amount of the accrued pension of the highest paid director at 31 October 1998 is £7,192 (1997: £3,126).

	No	No
Number of directors who are members of a defined benefit pension scheme	<u>1</u>	<u>2</u>

	1998 Group £	Company £	1997 Group £	Company £
Employee costs during the year:				
Wages and salaries	2,416,093	116,000	2,135,950	107,000
less exceptional adjustment (note 5)	(750,000)	(750,000)	-	-
Social security costs	206,437	14,009	202,619	12,929
Other pension costs	161,842	-	123,779	1,600
Pension to former employees	52,992	52,992	44,878	44,878
	<u>2,087,364</u>	<u>(566,999)</u>	<u>2,507,226</u>	<u>166,407</u>

	1998 Group No	Company No	1997 Group No	Company No
Average number of persons employed:				
Production and sales staff	87	-	96	-
Management	10	2	8	2
Administration	38	-	13	-
	<u>135</u>	<u>2</u>	<u>117</u>	<u>2</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1998**
**5. EXCEPTIONAL ITEMS**

	1998		1997	
	Group £	Company £	Group £	Company £
(Loss)/profit on sale of freehold property	-	(42,777)	886,413	886,413
Profit on sale of milk quota	263,291	-	266,993	266,993
Profit on sale of investments	-	14,122	-	-
Contribution to directors' remuneration in prior years	750,000	750,000	-	-
	<u>1,013,291</u>	<u>721,345</u>	<u>1,153,406</u>	<u>1,153,406</u>

The surpluses on milk quota sales are subject to rollover claims and no current tax liability therefore arises; no capital gain arises as a result of the sale of freehold property; and the profit on the sale of part of the dairy herd is dealt with as trading income.

The contribution to directors' remuneration relates to the making good, in part, of a benefit in kind recorded in the 1996 accounts.

**6. INTEREST PAYABLE**

	1998		1997	
	Group £	Company £	Group £	Company £
Bank loans, overdrafts and other loans repayable within five years	345,744	345,744	244,950	244,095
Bank loans repayable in more than five years	210,562	210,562	53,582	53,582
Finance charges - finance leases and hire purchase contracts	10,521	-	13,142	-
	<u>566,827</u>	<u>556,306</u>	<u>311,674</u>	<u>297,677</u>

**7. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**  
**is after charging/(crediting):**

	1998		1997	
	Group £	Company £	Group £	Company £
Auditors' remuneration:				
Audit	31,597	6,600	29,030	3,000
Other services	27,667	27,667	21,755	21,755
Hire of equipment	40,661	-	45,315	-
Rental income	(108,838)	(286,337)	(61,483)	(246,824)
Profit on sale of fixed assets (excluding exceptional items)	(9,044)	-	(49,646)	(2,300)
Depreciation	693,604	76,026	668,226	71,089
	<u></u>	<u></u>	<u></u>	<u></u>




**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1998**
**8. TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES**

	<b>1998</b>		<b>1997</b>	
	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
United Kingdom corporation tax at 31% (1997-32%) based on the (loss)/profit for the year	-	-	-	-
Group relief	-	-	-	67,000
Deferred taxation	(170,000)	-	159,694	-
Income tax on investment income	-	-	254	-
Advance corporation tax	28,273	28,273	-	-
Adjustment to prior years' tax provisions:				
Corporation tax	(8,511)	-	(9,691)	-
Group relief for losses	-	-	-	-
	<u>(150,238)</u>	<u>28,273</u>	<u>150,257</u>	<u>67,000</u>

**9. DIVIDENDS**

	<b>1998</b>		<b>1997</b>	
	<b>Pence per share</b>	<b>Total</b>	<b>Pence per share</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Interim paid	-	-	4.63	8,000

**10. INTANGIBLE FIXED ASSETS**

	<b>Purchased goodwill</b>
	<b>£</b>
<b>Group</b>	
Cost	
At 26 October 1997 and at 31 October 1998	<u>50,000</u>
Accumulated depreciation	
At 26 October 1997	45,000
Charge for the year	5,000
At 31 October 1998	<u>50,000</u>
Net book value	
At 31 October 1998	<u>-</u>
At 26 October 1997	<u>5,000</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1998**
**11. TANGIBLE FIXED ASSETS**

	<b>Freehold land £</b>	<b>Freehold buildings £</b>	<b>Vehicles £</b>	<b>Total £</b>
<b>Company</b>				
<b>Cost or valuation</b>				
At 26 October 1997	2,937,346	2,383,852	86,000	5,407,198
Additions	655,029	-	-	655,029
Disposals	(650,000)	-	-	(650,000)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 1998	2,942,375	2,383,852	86,000	5,412,227
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>				
At 26 October 1997	-	2,020,577	4,875	2,025,452
Charge for year	-	58,826	17,200	76,026
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 1998	-	2,079,403	22,075	2,101,478
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 October 1998	2,942,375	304,449	63,925	3,310,749
	<hr/>	<hr/>	<hr/>	<hr/>
At 26 October 1997	2,937,346	363,275	81,125	3,381,746
	<hr/>	<hr/>	<hr/>	<hr/>

Part of the company's freehold land at Southcombe Farm was revalued on 1 November 1979 to its open market value for existing use. The surplus over net book value of £39,676 has been transferred to the revaluation reserve. All other tangible fixed assets are stated at historical cost.

If stated under the historical cost principles the comparable amounts for the total of freehold land would be:

	<b>Freehold land</b>	
	<b>1998 £</b>	<b>1997 £</b>
Cost	2,902,699	2,897,670
Accumulated depreciation	-	-
	<hr/>	<hr/>
Net book value	2,902,699	2,897,670
	<hr/>	<hr/>


**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1998**
**11. TANGIBLE FIXED ASSETS (continued)**

	Freehold land £	Freehold buildings £	Plant & machinery £	Office equipment £	Motor vehicles £	Total £
<b>Group</b>						
<b>Cost or valuation</b>						
At 26 October 1997	2,937,346	4,062,087	5,797,695	209,920	1,428,062	14,435,110
Additions	655,029	672,203	1,563,243	-	89,647	2,980,122
Disposals	(650,000)	-	(20,160)	-	(95,198)	(765,358)
Transfers	-	(394,961)	394,961	-	-	-
At 31 October 1998	2,942,375	4,339,329	7,735,739	209,920	1,422,511	16,649,874
<b>Accumulated depreciation</b>						
At 26 October 1997	-	2,195,486	4,069,737	168,296	758,911	7,192,430
Charge for the year	-	155,002	316,838	12,163	204,601	688,604
Disposals	-	-	(19,284)	-	(57,292)	(76,576)
At 31 October 1998	-	2,350,488	4,367,291	180,459	906,220	7,804,458
<b>Net book value</b>						
At 31 October 1998	2,942,375	1,988,841	3,368,448	29,461	516,291	8,845,416
At 26 October 1997	2,937,346	1,866,601	1,727,958	41,624	669,151	7,242,680

The net book value of fixed assets held under finance leases is as follows:

	1998 Total £	1997 Total £
Plant and machinery	9,890	12,710
Office equipment	-	3
Motor vehicles	94,428	178,396
	104,318	191,109

Part of the group's freehold land at Southcombe Farm was revalued on 1 November 1979, to its open market value for existing use. The surplus over net book value of £39,676 has been transferred to the revaluation reserve. All other tangible fixed assets are stated at historical cost.

If stated under the historical cost principles the comparable amounts for the total of freehold land would be:

	Freehold land 1998 £	1997 £
Cost	2,902,699	2,897,670
Accumulated depreciation	-	-
Net book value	2,902,699	2,897,670


**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1998**
**12. FIXED ASSET INVESTMENTS**

	<b>1998</b>		<b>1997</b>	
	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Unquoted ordinary shares in group company at cost (100% owned and registered in England):				
Hanford Plc	-	50,000	-	50,000
Long term loans to group companies:				
Northover 4 X 4 Limited	-	40,194	-	40,194
Hanford Engineering Limited		905,232		905,232
	-	995,426	-	995,426
Less provision for diminution in value	-	(945,426)	-	(945,426)
	-	50,000	-	50,000

Hanford Holdings Plc is the parent company of Hanford Plc and ultimate parent company of Hanford Feeds Limited, Hanford Construction Limited, Hanford Engineering Limited, Southcombe Farms Limited, Northover 4 X 4 Limited and Dorset Pride Limited. All these companies' registered offices are in England, and all these companies are registered in England and Wales. The subsidiaries are all 100% owned.

**13. DAIRY AND PIG HERDS**  
**Group**

	<b>No.</b>	<b>Dairy</b>	<b>No.</b>	<b>Pigs</b>	<b>Total</b>
		<b>£</b>		<b>£</b>	<b>£</b>
At 31 October 1998	171	59,024	3,648	338,062	397,086
At 25 October 1997	166	56,022	3,182	267,070	323,092

**14. STOCK AND WORK IN PROGRESS**

	<b>1998</b>		<b>1997</b>	
	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Livestock	534,193	-	1,023,437	-
Grain, feedstuffs and finished products	441,504	-	667,803	-
Goods for resale and stores	3,417	-	-	-
Construction work in progress	90,848	-	38,256	-
	1,069,962	-	1,729,496	-


**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1998**
**15. DEBTORS**

	1998		1997	
	Group £	Company £	Group £	Company £
Trade debtors	780,810	-	989,560	-
Other debtors	250,185	36,653	279,055	22,917
Prepayments and accrued income	245,186	-	241,746	40,000
Owed by group companies:				
Hanford plc	-	10,848	-	500,000
Hanford Construction Limited	-	-	-	10,881
Hanford Feeds Limited	-	-	-	-
Advance corporation tax	-	-	28,273	28,273
	<u>1,276,181</u>	<u>47,501</u>	<u>1,538,634</u>	<u>602,071</u>

**16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1998		1997	
	Group £	Company £	Group £	Company £
Bank loans and overdrafts (note 20)	2,562,602	720,996	3,981,730	678,597
Trade creditors	1,060,923	-	935,968	-
Amounts owed to group companies:				
Hanford Feeds Limited	-	-	-	328
Hanford plc	-	-	-	106,527
Other creditors including taxation and social security (note 18)	172,351	26,451	119,824	93,451
Obligations under finance leases and hire purchase contracts	27,755	-	75,090	-
Accruals	442,884	95,706	457,981	75,022
	<u>4,266,515</u>	<u>843,153</u>	<u>5,570,593</u>	<u>953,925</u>

**17. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY**

	1998		1997	
	Group £	Company £	Group £	Company £
Corporation tax	6,525	6,525	3,692	6,525
Corporation tax: group relief	-	-	-	67,000
Other taxes and social security	111,414	-	84,088	-
Other creditors	54,412	19,926	32,044	19,926
	<u>172,351</u>	<u>26,451</u>	<u>119,824</u>	<u>93,451</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1998**
**18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1998		1997	
	Group £	Company £	Group £	Company £
Bank loans	5,079,266	5,079,266	1,088,437	1,088,437
Obligations under finance leases and hire purchase contracts	8,438	-	36,193	-
	<u>5,087,704</u>	<u>5,079,266</u>	<u>1,124,630</u>	<u>1,088,437</u>

**19. BORROWINGS**

	1998		1997	
	Group £	Company £	Group £	Company £
Bank overdraft	1,841,606	-	3,784,618	481,485
Bank loans	5,800,262	5,800,262	1,285,549	1,285,549
Obligations under finance leases and hire purchase contracts	36,193	-	111,283	-
	<u>7,678,061</u>	<u>5,800,262</u>	<u>5,181,450</u>	<u>1,767,034</u>
Due within one year	2,590,357	720,996	4,056,820	678,597
Due after more than one year	5,087,704	5,079,266	1,124,630	1,088,437
	<u>7,678,061</u>	<u>5,800,262</u>	<u>5,181,450</u>	<u>1,767,034</u>
Analysis of loan repayments:				
Bank loans and overdrafts:				
Within one year or on demand	2,562,602	720,996	3,981,730	678,597
Between one and two years	720,996	720,996	197,113	197,113
Between two to five years	2,162,988	2,162,988	591,339	591,339
After five years	2,195,282	2,195,282	299,985	299,985
Other loans:				
Within one year or on demand	27,755	-	75,090	-
Between one and two years	8,438	-	36,193	-
Between two to five years	-	-	-	-
	<u>7,678,061</u>	<u>5,800,262</u>	<u>5,181,450</u>	<u>1,767,034</u>
Amounts repayable by instalments some of which fall due after five years:				
Bank loans	5,482,779	3,604,980	1,285,549	1,285,549
Instalments due after five years	2,195,282	2,195,282	299,985	299,985



**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1998**

**19. BORROWINGS continued**

The company's bank borrowing is secured by fixed charges on its freehold land and buildings and book debts and a floating charge on its other assets while subsidiary companies' overdrafts are secured by fixed and floating charges over those companies' assets.

Interest is payable on part of the bank loans at a variable rate and the loans are repayable in monthly instalments over 13 years commencing in 1990. Another bank loan has a variable rate of interest and is repayable over 10 years commencing in 1994. A further bank loan has a variable rate of interest and is repayable over 10 years commencing 1997.

Obligations under finance leases and hire purchase contracts are secured on the related assets.

**20. DEFERRED TAXATION**

The movement on the deferred tax provision is as follows:

	1998		1997	
	Group £	Company £	Group £	Company £
Balance at 26 October 1997	170,000	-	10,306	-
(Credited)/charged to profit and loss account	(170,000)	-	159,694	-
Balance at 31 October 1998	-	-	170,000	-
<b>Group</b>				
	Provided		Unprovided	
	1998	1997	1998	1997
	£	£	£	£
Accelerated capital allowances	-	171,279	-	-
Other timing differences	-	(1,279)	-	-
Balance at 31 October 1998	-	170,000	-	-
<b>Company</b>				
	Provided		Unprovided	
	1998	1997	1998	1997
	£	£	£	£
Accelerated capital allowances	-	1,279	-	-
Other timing differences	-	(1,279)	-	-
Balance at 31 October 1998	-	-	-	-

**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1998****21. SHARE CAPITAL**

	1998 £	1997 £
<b>Group and company</b>		
Authorised:		
300,000 ordinary shares of £1 each	300,000	300,000
	<u>          </u>	<u>          </u>
Allotted, called up and fully paid:		
172,845 ordinary shares of £1 each	172,845	172,845
	<u>          </u>	<u>          </u>





HANFORD HOLDINGS PLC

NOTES TO THE ACCOUNTS  
Year ended 31 October 1998

22. COMBINED RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS AND  
STATEMENT OF MOVEMENTS ON RESERVES

Group	Called up share capital	Share premium account	Revaluation reserve	Capital redemption reserve	Profit and loss account	1998 Total	1997 Total
	£	£	£	£	£	£	£
At 26 October 1997	172,845	261,353	39,676	52,269	3,450,759	3,976,902	3,083,213
Profit/(loss) for the year	-	-	-	-	(1,741,868)	(1,741,868)	901,689
Dividends	-	-	-	-	-	-	(8,000)
At 31 October 1998	172,845	261,353	39,676	52,269	1,708,891	2,235,034	3,976,902
Company	Called up share capital	Share premium account	Revaluation reserve	Capital redemption/ reserve	Profit and loss account	1998 Total	1997 Total
	£	£	£	£	£	£	£
At 26 October 1997	172,845	261,353	39,676	52,269	1,465,312	1,991,455	665,247
Profit/(loss) for the year	-	-	-	-	721,190	721,190	1,334,208
Dividends	-	-	-	-	-	-	(8,000)
At 31 October 1998	172,845	261,353	39,676	52,269	2,186,502	2,712,645	1,991,455

The revaluation reserve relates to the revaluation of freehold land acquired with Southcombe Farms Limited on 1 November 1979.


**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1998**
**23. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW  
FROM OPERATING ACTIVITIES**

	1998 £	1997 £
Operating (loss)/profit	(1,559,918)	210,214
Depreciation and amortisation	693,604	668,226
Profit on sale of fixed assets	(9,044)	(49,646)
Profit realised on sale of herd account animals	-	(58,376)
Adjustment to provision against fixed asset investment	-	(10,074)
Decrease in stocks	659,534	102,555
Decrease in debtors	234,180	1,011,770
Increase/(decrease) in creditors	133,968	(490,394)
Net cash inflow from operating activities	<u>152,324</u>	<u>1,384,275</u>

**24. ANALYSIS OF THE CHANGES IN NET DEBT**

	At 26 October 1997 £	Cash flows £	Other changes £	At 31 October 1998 £
Cash at bank and in hand	3,223	(2,615)	-	608
Bank overdraft	(3,784,618)	1,943,012	-	(1,841,606)
	<u>(3,781,395)</u>	<u>1,940,397</u>	<u>-</u>	<u>(1,840,998)</u>
Debt due within one year	(197,112)	197,112	(720,996)	(720,996)
Debt due after one year	(1,088,437)	288,175	(4,279,004)	(5,079,266)
Finance leases	(111,283)	75,090	-	(36,193)
	<u>(1,396,832)</u>	<u>560,377</u>	<u>(5,000,000)</u>	<u>(5,836,455)</u>
Net debt	<u>(5,178,227)</u>	<u>2,500,774</u>	<u>(5,000,000)</u>	<u>(7,677,453)</u>

**25. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	1998 £
Increase in cash in the period	1,940,397
Cash outflow from decrease in debt and lease financing	560,377
Change in net debt resulting from cash flows	<u>2,500,774</u>
New term loans	(5,000,000)
Movement in net debt during the period	<u>(2,499,226)</u>
Net debt at 26 October 1997	<u>(5,178,227)</u>
Net debt at 31 October 1998	<u>(7,677,453)</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1998**

**26. PENSION COSTS**

The group operates a defined benefit pension scheme for all qualifying employees. The assets of the scheme are held in separate trustee administered funds. The scheme is subject to triennial valuation by independent actuaries, the last valuation being carried out as at 5 April 1996 using the projected unit credit method, in which the actuarial liability makes allowances for projected earnings. The following actuarial assumptions were applied:

Investment returns	:	9%
Salary growth	:	7%
Pension increases	:	4.25% for pension accruing after 6/4/97 and 3% per annum for pension accrued before this date

At the last actuarial valuation date, the market value of the assets of the scheme was £3,125,000 and this actuarial value was sufficient to cover 103% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The employer's contribution rate over the average remaining service lives of the members of the scheme takes account of the surplus disclosed by the valuation.

A provision of £24,610 (1997 - £12,069) is included in creditors, being the excess of accumulated pension costs over the amounts funded. Pension costs charged to the profit and loss account of the group in the year amounted to £161,842 (1997 - £123,779).

**27. CONTINGENCIES**

The company has given an indemnity to the group's bankers in respect of guarantees to the Intervention Board of Agricultural Produce up to a maximum of £80,000 (1997: £80,000). Hanford Holdings Plc, Hanford Plc, Hanford Feeds Limited, Hanford Construction Limited, Hanford Engineering Limited, Southcombe Farms Limited and Northover 4 X 4 Limited have given mutual, unlimited guarantees to support the group's bank borrowings. The groups liability at the balance sheet date was £7,641,868 (1997: £5,070,167).

**28. CAPITAL COMMITMENTS**

	1998		1997	
	Group £	Company £	Group £	Company £
Contracted for but not provided in the financial statements	250,000	-	850,000	-

**29. OPERATING LEASE COMMITMENTS**

	Land and Buildings £
Leases expiring Within one year	54,945



**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1998**

**30. POST BALANCE SHEET EVENTS**

Since the end of the year the Feeds business and related assets has been sold.

**31. TRANSACTIONS WITH RELATED PARTIES**

Advantage has been taken of the exemption from disclosing transactions with group companies. During the year the company undertook the following transactions with Chisel Farm Partnership, of which I Spencer II is a partner.

		1998 £	1997 £
Sales :	Rent	85,050	28,333
Purchases :	Rent	55,000	32,083
	Vehicles	-	32,500
	Downend Farm	650,000	-

Hanford plc provides administrative services to Chisel Farm Partnership. Material transactions with the partnership were as follows:

		1998 £	1997 £
Sales :	Sale of heifers }		63,150
	Sale of equipment }	318,377	20,000
	Management charge }		12,000
Purchases :	Other costs	-	17,178
	Plant from Downend Farm	50,000	-
	Stock from Downend Farm	320,000	-
	Tractor	3,200	-

In addition income of £335,861 (1997: £1,256,670) was invoiced and costs of £229,326 (1997: £1,349,880) were incurred on behalf of Chisel Farm Partnership by Hanford plc, recharged accordingly. At 31 October 1998 £40,189 (1997: £178,759) is included in debtors and £63,581 (1997: £20,544) in creditors in respect of these transactions.

During the year sales from Hanford Feeds Limited to Chisel Farm Partnership amounted to £31,400 (1997: £12,500). At the end of the year £2,943 (1997: £5,494) was outstanding in debtors and £5,494 (1997: £nil) was outstanding in creditors.

Included in other creditors is an amount of £19,926 (1997: £19,926) due to Chisel Farm Partnership.

Since the year end additional assets of the directors have been used as security against the group's borrowing.



**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1998**

**32. ADDITIONAL INFORMATION ON SUBSIDIARIES**

	<b>Country of incorporation/ registration and operation</b>	<b>Activity</b>	<b>Proportion of ordinary shares held</b>
Hanford plc	England	Mixed farming	100%
Hanford Feeds Limited	England	Animal feed stuff compounding	100%
Hanford Construction Limited	England	Building and engineering contracting	100%
Hanford Engineering Limited	England	Dormant	100%
Southcombe Farms Limited	England	Dormant	100%
Dorset Pride Limited	England	Dormant	100%
Northover 4 x 4 Limited	England	Dormant	100%

All subsidiaries are consolidated in the financial statements of Hanford Holdings Plc.

Hanford Feeds Limited, Hanford Construction Limited, Hanford Engineering Limited, Southcombe Farms Limited, Dorset Pride Limited and Northover 4 x 4 Limited are wholly owned subsidiaries of Hanford plc.