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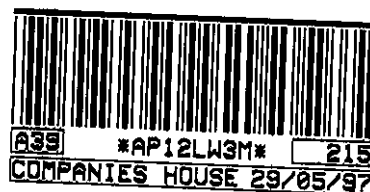
Company Registration No. 743141

**HANFORD HOLDINGS PLC**

**Report and Financial Statements**

**26 October 1996**

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





**REPORT AND FINANCIAL STATEMENTS 1996**

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**REPORT AND FINANCIAL STATEMENTS 1996**

**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 26 October 1996.

### **ACTIVITIES**

The principal activity of the company is that of agricultural landlord. The subsidiary companies' principal activities are those of mixed farming, animal feedstuff compounding and building contracting.

### **REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

The directors are pleased to report that the group has enjoyed a very successful year with positive contributions from all activities - particularly the pig farms. However, the company finds itself trading in a marketplace increasingly governed by world prices and currency fluctuations which, together with progressive realignment of support systems associated with cereals and milk, will have significant implications for future profitability.

Pig prices continued to rise during the course of the year, peaking in August, since when there has been a steady decline. These prices whilst generating an excellent contribution, obscure the fact that production costs are too high and mask high feed prices and an obsolete husbandry regime. The rationalisation process currently taking place will address this obsolescence.

The group has continued to sell its milk through Milk Marque at satisfactory prices which, together with excellent physical performance, has ensured continued high margins. Whilst future milk production will be on a smaller scale, it will continue to be profitable and more closely aligned with Hanford Feeds Limited.

Drought was a more significant factor in 1996 than 1995 with grass yields adversely affected. Cereal yields held up well and with forward contracts being secured against a background of sharply falling prices, margins were maintained.

The animal feeds sector remains fiercely competitive with over-capacity in the industry, BSE and quotas, all having an impact. Despite this, both market share and margin have been maintained, resulting in a significant increase in contribution.

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

The programme of asset re-deployment initiated in 1995 has been continued with the sale of further quota and cows and will continue consistent with the provisions of the Five Year Plan.

The directors acknowledge the contribution made by a highly motivated and professional staff and thank them for their continued commitment.

### **DIVIDENDS AND TRANSFERS TO RESERVES**

Interim dividends on the ordinary shares totalling £96,000 (1995: £116,000) were paid during the year. The directors do not propose the payment of a final dividend for the year under review (1995: £52,000). The group retained profit of £496,560 has been transferred to reserves.

### **PAYMENT POLICY ON SUPPLIERS**

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.

## **DIRECTORS' REPORT**

### **FIXED ASSETS**

During the year the group continued with its programme of capital investment, investing a total of £1,051,844 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.

### **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 26 October 1996 and at 28 October 1995 were:

	1996	1995
I Spencer II (Chairman)	18,036	172,845
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 were approved.

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

### **INSURANCE OF DIRECTORS**

The company maintains insurance for its directors in respect of their duties as directors of the company.

### **CLOSE COMPANY**

The company is a close company as defined by Section 414 of the Income and Corporation Taxes Act 1988.

### **AUDITORS**

Smith and Williamson resigned as auditors during the year and Deloitte & Touche were appointed. A resolution to reappoint 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

  
 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.



## Chartered Accountants

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

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International + 44 117 921 1622  
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## AUDITORS' REPORT TO THE MEMBERS OF HANFORD HOLDINGS PLC

We have audited the financial statements on pages 6 to 26 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.

### 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 26 October 1996 and of the profit 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

27 May 1997



**COMPANY PROFIT AND LOSS ACCOUNT**  
**Year ended 26 October 1996**

	Note	£	1996 £	£	1995 £
<b>TURNOVER: continuing operations</b>	2		593,795		522,870
Staff costs	3	1,456,630		840,812	
Depreciation of owned fixed assets		64,013		75,022	
Other operating charges		66,361		90,305	
			<u>(1,587,004)</u>	<u></u>	<u>(1,006,139)</u>
<b>OPERATING LOSS: continuing operations</b>			<u>(993,209)</u>		<u>(483,269)</u>
Income from shares in group undertakings			500,000		-
Exceptional items: continuing operations	4		571,673		(59,251)
			<u>78,464</u>		<u>(542,520)</u>
Interest payable	5		308,263		359,063
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2,6		<u>(229,799)</u>		<u>(901,583)</u>
Taxation on loss on ordinary activities	7		(320,433)		(247,407)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>			<u>90,634</u>		<u>(654,176)</u>
Dividends	8		96,000		168,000
<b>RETAINED LOSS FOR THE YEAR</b>	25		<u>(5,366)</u>		<u>(822,176)</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.



**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 26 October 1996**

			1996	1995 (as restated) (see note 1)
	Note	£	£	£
<b>TURNOVER - continuing operations</b>	2		16,362,959	16,776,088
Increase/(decrease) in stock and work in progress			47,685	(180,223)
			<u>16,410,644</u>	<u>16,595,865</u>
Purchases and raw materials		9,084,623		10,201,058
Other external charges		<u>1,096,430</u>		<u>1,106,958</u>
			10,181,053	11,308,016
			<u>6,229,591</u>	<u>5,287,849</u>
Staff costs	3	4,063,309		3,309,076
Depreciation of owned fixed assets		303,539		328,688
Depreciation of leased fixed assets		190,631		203,682
Amortisation of intangible assets		5,000		5,000
Other operating charges		<u>1,708,234</u>		<u>1,149,007</u>
			6,270,713	4,995,453
<b>OPERATING (LOSS)/PROFIT: continuing operations</b>			(41,122)	292,396
Exceptional items: continuing operations	4		1,173,182	(44,514)
			<u>1,132,060</u>	<u>247,882</u>
Interest payable	5		<u>327,582</u>	<u>374,254</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2,6		804,478	(126,372)
Taxation on profit/(loss) on ordinary activities	7		<u>1,918</u>	<u>(27,386)</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>			802,560	(98,986)
Dividends	8		<u>96,000</u>	<u>168,000</u>
<b>RETAINED PROFIT/(LOSS) FOR THE YEAR</b>	25		<u><u>706,560</u></u>	<u><u>(266,986)</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**  
**26 October 1996**

	Note	£	1996 £	£	1995 £
<b>FIXED ASSETS</b>					
Tangible assets	10		3,934,222		4,018,781
Investments	11		220,000		220,000
			<u>4,154,222</u>		<u>4,238,781</u>
<b>CURRENT ASSETS</b>					
Debtors	14	910,663		177,850	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	15	<u>3,111,829</u>		<u>2,246,910</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(2,201,166)</u>		<u>(2,069,060)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			1,953,056		2,169,721
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	17		<u>1,287,809</u>		<u>1,499,108</u>
			<u>665,247</u>		<u>670,613</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	20,25	172,845		172,845	
Share premium account	25	261,353		261,353	
Revaluation reserve	25	39,676		39,676	
Capital redemption reserve	25	52,269		52,269	
Profit and loss account	25	<u>139,104</u>		<u>144,470</u>	
			665,247		670,613
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	25		<u>665,247</u>		<u>670,613</u>

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

22<sup>nd</sup> May 1997

I Spencer II  
Director

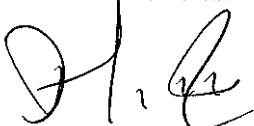


**CONSOLIDATED BALANCE SHEET**  
**As at 26 October 1996**

	Note	£	1996 £	£	1995 £
<b>FIXED ASSETS</b>					
Intangible assets	9		10,000		334,501
Tangible assets	10		5,641,476		5,190,301
Investments	11		170,000		170,000
			5,821,476		5,694,802
Dairy and pig herds	12		347,864		479,127
			6,169,340		6,173,929
<b>CURRENT ASSETS</b>					
Stock and work in progress	13	1,832,051		1,784,366	
Debtors	14	2,548,404		1,592,077	
Cash at bank and in hand		1,094		471	
		4,381,549		3,376,914	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>					
	15	6,101,042		5,459,514	
<b>NET CURRENT LIABILITIES</b>					
			(1,719,493)		(2,082,600)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			4,449,847		4,091,329
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>					
	17		1,356,328		1,645,987
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
Deferred tax	19		10,306		68,689
			3,083,213		2,376,653
<b>CAPITAL AND RESERVES</b>					
Called up share capital	20,25	172,845		172,845	
Share premium account	25	261,353		261,353	
Revaluation reserve	25	39,676		39,676	
Capital redemption reserve	25	52,269		52,269	
Profit and loss account	25	2,557,070		1,850,510	
			3,083,213		2,376,653
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>					
	25		3,083,213		2,376,653

These financial statements were approved by the Board of Directors on 22<sup>nd</sup> May 1997  
Signed on behalf of the Board of Directors

I Spencer II  
Director



**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 26 October 1996**

	Note	£	1996 £	£	1995 £
Net cash (outflow)/inflow from operating activities	21		(117,872)		1,351,182
<b>Returns on investments and servicing of finance</b>					
Interest paid		(316,289)		(365,024)	
Interest element of finance lease and hire purchase payments		(19,319)		(15,191)	
Dividends paid		(148,000)		(116,000)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(483,608)		(496,215)
<b>Taxation:</b>					
UK Corporation tax and ACT (paid)/recovered		(49,178)		24,540	
<b>Tax (paid)/received</b>			(49,178)		24,540
<b>Investing activities:</b>					
Payments to acquire fixed assets		(1,051,844)		(403,894)	
Receipts from sale of fixed assets		724,859		274,833	
Receipts from sale of investments/quota		905,072		6,011	
Payment to acquire investments		-		(50,000)	
Decrease in herds		131,266		181,363	
<b>Net cash inflow from investing activities</b>			709,353		8,313
<b>Net cash inflow before financing</b>			58,695		887,820
<b>Financing:</b>					
Loan repayments	24	(209,860)		(150,548)	
Capital element of finance lease and hire purchase payments	24	(111,052)		(137,874)	
<b>Net cash outflow from financing</b>			(320,912)		(288,422)
<b>(Decrease)/increase in cash and cash equivalents</b>	22		(262,217)		599,398

**NOTES TO THE ACCOUNTS**  
**Year ended 26 October 1996**

**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.

**Basis of consolidation**

The group financial statements consolidate the financial statements of the company and all subsidiaries for the financial year ended 26 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.

**Stocks**

Stocks and work in progress are stated at the lower of cost and net realisable value, with the exception of those stocks valued on the herd basis. Cost in the case 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 26 October 1996**
**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.

**Restatement of comparatives**

Turnover for 1995 has been restated to remove sales and purchases between different departments within the same company. This has no effect on profits.

**2. TURNOVER AND PROFITS**

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 before taxation are stated below:

	1996		1995	
	Group £	Company £	Group £	Company £
Farming activities and agricultural land rental	8,468,660	149,619	7,782,364	156,747
Animal feeds	7,517,594	-	8,437,443	-
Building contracting and related activities	376,705	-	556,281	-
Management charges	-	444,176	-	366,123
	<u>16,362,959</u>	<u>593,795</u>	<u>16,776,088</u>	<u>522,870</u>

The following is a similar analysis of profit/(loss) on ordinary activities before taxation:

	1996		1995	
	Group £	Company £	Group £	Company £
Farming activities and agricultural land rental	768,707	(229,799)	(263,647)	(901,583)
Animal feeds	(14,086)	-	95,570	-
Building contracting and related activities	49,857	-	41,705	-
	<u>804,478</u>	<u>(229,799)</u>	<u>(126,372)</u>	<u>(901,583)</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 26 October 1996**

**2. TURNOVER AND PROFITS (continued)**

The following is a similar analysis of net assets:

	1996		1995	
	Group £	Company £	Group £	Company £
Farming activities and agricultural land rental	1,021,866	(195,144)	904,117	670,613
Animal feeds	1,228,201	-	1,245,616	-
Building contracting and related activities	264,755	-	226,920	-
	<u>2,514,822</u>	<u>(195,144)</u>	<u>2,376,653</u>	<u>670,613</u>

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	1996 £	1995 £
<b>Directors' emoluments:</b>		
Salaries and taxable benefits	<u>1,510,058</u>	<u>869,250</u>
Remuneration of the chairman	<u>1,414,066</u>	<u>810,421</u>
Remuneration of the highest paid director	<u>88,909</u>	<u>810,421</u>
	<b>No</b>	<b>No</b>
Emoluments of the other directors were within the following scales:		
£0 - £5,000	-	1
£5,001 - £10,000	1	-
£55,001 - £60,000	-	1

	1996		1995	
	Group £	Company £	Group £	Company £
Employee costs during the year:				
Wages and salaries	3,793,113	1,412,588	3,045,021	800,000
Social security costs	189,680	-	180,054	-
Other pension costs	36,474	-	43,189	-
Pension to former employees	44,042	44,042	40,812	40,812
	<u>4,063,309</u>	<u>1,456,630</u>	<u>3,309,076</u>	<u>840,812</u>

	1996 Company No	1995 Company No
Average number of persons employed:		
Production and sales staff	94	100
Management	9	9
Administration	12	11
	<u>115</u>	<u>120</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 26 October 1996**

**4. EXCEPTIONAL ITEMS**

	<b>1996</b>		<b>1995</b>	
	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Profit on sale of part of dairy herd	15,938	-	-	-
Surplus/(deficit) on sale of part of the group's freehold property	571,673	571,673	(40,525)	(40,525)
Provision for diminution in value of investment in Chisel Farm Partnership	-	-	(10,000)	(10,000)
Profit on sale of investment	-	-	6,011	-
Write back of provision for diminution in value of investments in group companies	-	-	-	(8,726)
Profit on sale of milk quota	585,571	-	-	-
	<u>1,173,182</u>	<u>571,673</u>	<u>(44,514)</u>	<u>(59,251)</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.

**5. INTEREST PAYABLE**

	<b>1996</b>		<b>1995</b>	
	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans, overdrafts and other loans repayable within five years	187,891	187,891	262,512	262,512
Bank loans repayable in more than five years	120,372	120,372	96,551	96,551
Finance charges - finance leases and hire purchase contracts	19,319	-	15,191	-
	<u>327,582</u>	<u>308,263</u>	<u>374,254</u>	<u>359,063</u>

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

	<b>1996</b>		<b>1995</b>	
	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Auditors' remuneration:				
Audit	28,903	2,000	23,783	1,633
Other services	17,414	17,414	18,833	8,349
Hire of equipment	115,488	-	122,379	-
Rental income	(23,723)	(143,379)	(15,840)	(154,672)
Profit on sale of fixed assets (excluding exceptional items)	(30,750)	-	(120,590)	-
Management charges received	-	(444,176)	-	(366,123)
	<u></u>	<u></u>	<u></u>	<u></u>



**NOTES TO THE ACCOUNTS**  
**Year ended 26 October 1996**

**7. TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

	<b>1996</b>		<b>1995</b>	
	<b>Group £</b>	<b>Company £</b>	<b>Group £</b>	<b>Company £</b>
Corporation tax at 33% on results for the year	-	-	15,000	-
Under/(over) provision in prior periods:				
Corporation tax	3,353	(6,881)	(1,075)	10,093
Group relief	-	2,000	-	-
Transfers from deferred taxation (note 19)	(58,383)	-	(41,311)	-
Group relief	-	(372,500)	-	(257,500)
Irrecoverable ACT	56,948	56,948	-	-
	<u>1,918</u>	<u>(320,433)</u>	<u>(27,386)</u>	<u>(247,407)</u>

**8. DIVIDENDS**

	<b>1996</b>		<b>1995</b>	
	<b>Pence per share £</b>	<b>Total £</b>	<b>Pence per share £</b>	<b>Total £</b>
Interim paid	55.54p	96,000	67.11p	116,000
Proposed final	-	-	30.08p	52,000
		<u>96,000</u>		<u>168,000</u>

**9. INTANGIBLE FIXED ASSETS**

	<b>Milk quota £</b>	<b>Purchased goodwill £</b>	<b>Total £</b>
<b>Group</b>			
<b>Cost</b>			
At 29 October 1995	319,501	50,000	369,501
Disposals	(319,501)	-	(319,501)
At 26 October 1996	<u>-</u>	<u>50,000</u>	<u>50,000</u>
<b>Accumulated depreciation</b>			
At 29 October 1995	-	35,000	35,000
Charge for the year	-	5,000	5,000
At 26 October 1996	<u>-</u>	<u>40,000</u>	<u>40,000</u>
<b>Net book value</b>			
At 26 October 1996	<u>-</u>	<u>10,000</u>	<u>10,000</u>
At 28 October 1995	<u>319,501</u>	<u>15,000</u>	<u>334,501</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 26 October 1996**
**10. TANGIBLE FIXED ASSETS**

<b>Company</b>	<b>Freehold Land £</b>	<b>Buildings £</b>	<b>Total £</b>
<b>Cost or valuation</b>			
At 29 October 1995	3,483,967	2,984,439	6,468,406
Additions	-	7,781	7,781
Disposals	(22,693)	(253,804)	(276,497)
At 26 October 1996	<u>3,461,274</u>	<u>2,738,416</u>	<u>6,199,690</u>
<b>Accumulated depreciation</b>			
At 29 October 1995	-	2,449,625	2,449,625
Charge for year	-	64,013	64,013
Disposals	-	(248,170)	(248,170)
At 26 October 1996	<u>-</u>	<u>2,265,468</u>	<u>2,265,468</u>
<b>Net book value</b>			
At 26 October 1996	<u>3,461,274</u>	<u>472,948</u>	<u>3,934,222</u>
At 28 October 1995	<u>3,483,967</u>	<u>534,814</u>	<u>4,018,781</u>

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>1996 £</b>	<b>1995 £</b>
Cost	3,421,598	3,444,291
Accumulated depreciation	-	-
Net book value	<u>3,421,598</u>	<u>3,444,291</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 26 October 1996**

**10. TANGIBLE FIXED ASSETS (continued)**

Group	Freehold land £	Freehold buildings £	Plant & machinery £	Office equipment £	Motor vehicles £	Total £
<b>Cost or valuation</b>						
At 29 October 1995	3,483,967	3,108,743	4,320,943	173,886	1,183,293	12,270,832
Additions	-	482,648	286,425	37,165	245,606	1,051,844
Disposals	(22,693)	(253,804)	(264,434)	(5,975)	(76,095)	(623,001)
At 26 October 1996	<u>3,461,274</u>	<u>3,337,587</u>	<u>4,342,934</u>	<u>205,076</u>	<u>1,352,804</u>	<u>12,699,675</u>
<b>Accumulated depreciation</b>						
At 29 October 1995	-	2,558,309	3,724,129	153,416	644,677	7,080,531
Charge for the year		67,287	265,600	9,111	152,172	494,170
Disposals		(248,169)	(197,599)	(5,975)	(64,759)	(516,502)
At 26 October 1996	<u>-</u>	<u>2,377,427</u>	<u>3,792,130</u>	<u>156,552</u>	<u>732,090</u>	<u>7,058,199</u>
<b>Net book value</b>						
At 26 October 1996	<u>3,461,274</u>	<u>960,160</u>	<u>550,804</u>	<u>48,524</u>	<u>620,714</u>	<u>5,641,476</u>
At 28 October 1995	<u>3,483,967</u>	<u>550,434</u>	<u>596,814</u>	<u>20,470</u>	<u>538,616</u>	<u>5,190,301</u>

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

	1996 Total £	1995 Total £
Plant and machinery	23,763	120,272
Office equipment	4	4
Motor vehicles	284,890	379,012
	<u>308,657</u>	<u>499,288</u>

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 1996 £	1995 £
Cost	3,421,598	3,444,291
Accumulated depreciation	-	-
Net book value	<u>3,421,598</u>	<u>3,444,291</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 26 October 1996**

**11. FIXED ASSET INVESTMENTS**

	1996		1995	
	Group £	Company £	Group £	Company £
Unquoted ordinary shares in group company at cost (100% owned and registered in England):				
Hanford Plc	-	50,000	-	50,000
Investment in partnership:				
Chisel Farm Partnership	200,000	200,000	200,000	200,000
Long term loans to group companies:				
Northover 4 X 4 Limited	-	40,194	-	40,194
Hanford Engineering Limited	-	905,232	-	905,232
	<u>200,000</u>	<u>1,195,426</u>	<u>200,000</u>	<u>1,195,426</u>
Less provision for diminution in value	(30,000)	(975,426)	(30,000)	(975,426)
	<u>170,000</u>	<u>220,000</u>	<u>170,000</u>	<u>220,000</u>

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.

The Chisel Farm Partnership, an organic farm based in Dorset, was set up on 26 November 1993. Hanford Holdings Plc is entitled to one third of all profits or losses made by the partnership. Mr and Mrs I Spencer, who are directors of this company, are the other partners.

**12. DAIRY AND PIG HERDS**  
**Group**

	No.	Dairy £	No.	Pigs £	Total £
At 29 October 1995	387	130,242	3,975	348,885	479,127
Transfers from trading account	156	101,038	2,111	279,896	380,934
	<u>543</u>	<u>231,280</u>	<u>6,086</u>	<u>628,781</u>	<u>860,061</u>
Transfer to trading account	(278)	(142,235)	(2,757)	(369,962)	(512,197)
At 26 October 1996	<u>265</u>	<u>89,045</u>	<u>3,329</u>	<u>258,819</u>	<u>347,864</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 26 October 1996**

**13. STOCK AND WORK IN PROGRESS**

	1996		1995	
	Group £	Company £	Group £	Company £
Livestock	1,041,301	-	973,436	-
Grain, feedstuffs and finished products	779,044	-	791,086	-
Goods for resale and stores	733	-	1,870	-
Construction work in progress	10,973	-	17,974	-
	<u>1,832,051</u>	<u>-</u>	<u>1,784,366</u>	<u>-</u>

**14. DEBTORS**

	1996		1995	
	Group £	Company £	Group £	Company £
Trade debtors	1,894,782	-	1,031,569	-
Other debtors	262,307	500,000	347,793	3,292
Prepayments and accrued income	365,042	-	160,019	-
Owed by group companies:				
Hanford plc	-	315,009	-	38,362
Hanford Construction Limited	-	19,381	-	8,500
Hanford Feeds Limited	-	50,000	-	75,000
Advance corporation tax	26,273	26,273	52,696	52,696
	<u>2,548,404</u>	<u>910,663</u>	<u>1,592,077</u>	<u>177,850</u>

Advance corporation tax of £10,000 (1995: £13,000) is due after more than one year.

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

	1996		1995	
	Group £	Company £	Group £	Company £
Bank loans and overdrafts (see note 18)	2,836,610	1,845,493	2,572,328	1,165,149
Trade creditors	1,289,275	-	1,013,026	-
Amounts owed to group companies:				
Hanford Feeds Limited	-	162	-	901
Hanford plc	-	2,000	-	-
Other creditors including taxation and social security (see note 16)	223,709	8,525	315,733	177,833
Proposed dividend	-	-	52,000	52,000
Obligations under finance leases and hire purchase contracts	78,358	-	111,051	-
Accruals	473,090	55,649	595,376	51,027
Unpaid directors remuneration	1,200,000	1,200,000	800,000	800,000
	<u>6,101,042</u>	<u>3,111,829</u>	<u>5,459,514</u>	<u>2,246,910</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 26 October 1996**
**16. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY**

	1996		1995	
	Group £	Company £	Group £	Company £
Corporation tax	13,383	6,525	8,683	1,833
Advance corporation tax	2,000	2,000	22,000	22,000
Other taxes and social security	63,282	-	108,479	-
Other creditors	145,044	-	176,571	154,000
	<u>223,709</u>	<u>8,525</u>	<u>315,733</u>	<u>177,833</u>

**17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1996		1995	
	Group £	Company £	Group £	Company £
Bank loans	1,287,808	1,287,809	1,499,108	1,499,108
Obligations under finance leases and hire purchase contracts	68,520	-	146,879	-
	<u>1,356,328</u>	<u>1,287,809</u>	<u>1,645,987</u>	<u>1,499,108</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 26 October 1996**

**18. BORROWINGS**

	1996		1995	
	Group £	Company £	Group £	Company £
Bank overdraft	2,639,496	1,648,380	2,376,654	969,475
Bank loans	1,484,922	1,484,922	1,694,782	1,694,782
Obligations under finance leases and hire purchase contracts	146,878	-	257,930	-
	<u>4,271,296</u>	<u>3,133,302</u>	<u>4,329,366</u>	<u>2,664,257</u>
Due within one year	2,914,968	1,845,493	2,683,379	1,165,149
Due after more than one year	1,356,328	1,287,809	1,645,987	1,499,108
	<u>4,271,296</u>	<u>3,133,302</u>	<u>4,329,366</u>	<u>2,664,257</u>
Analysis of loan repayments:				
Bank loans and overdrafts:				
Within one year or on demand	2,836,610	1,845,493	2,572,328	1,165,149
Between one and two years	197,112	197,113	195,674	195,674
Between two to five years	591,339	591,339	587,022	587,022
After five years	499,357	499,357	716,412	716,412
Other loans:				
Within one year or on demand	78,358	-	111,051	-
Between one and two years	54,134	-	80,195	-
Between two to five years	14,386	-	66,684	-
	<u>4,271,296</u>	<u>3,133,302</u>	<u>4,329,366</u>	<u>2,664,257</u>
Amounts repayable by instalments some of which fall due after five years:				
Bank loans	1,484,922	1,484,922	1,694,782	1,694,782
Instalments due after five years	499,357	499,357	716,412	716,412

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. The remaining bank loan has a variable rate of interest and is repayable over 10 years commencing in 1994.

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


**NOTES TO THE ACCOUNTS**  
**Year ended 26 October 1996**
**19. DEFERRED TAXATION**

The movement on the deferred tax provision is as follows:

	1996		1995	
	Group £	Company £	Group £	Company £
Balance at 29 October 1995	68,689	-	110,000	-
Transfer to profit and loss account (note 7)	(58,383)	-	(41,311)	-
Balance at 26 October 1996	<u>10,306</u>	<u>-</u>	<u>68,689</u>	<u>-</u>
<b>Group</b>				
	Provided		Unprovided	
	1996	1995	1996	1995
	£	£	£	£
Accelerated capital allowances	22,306	8,689	-	-
Timing differences on assets subject to finance leases	(12,000)	60,000	-	-
Rollover relief	-	-	200,000	-
Balance at 26 October 1996	<u>10,306</u>	<u>68,689</u>	<u>200,000</u>	<u>-</u>
<b>Company</b>				
	Provided		Unprovided	
	1996	1995	1996	1995
	£	£	£	£
Accelerated capital allowances	-	-	-	-
Timing differences on assets subject to finance leases	-	-	-	-
Balance at 26 October 1996	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**20. SHARE CAPITAL**

	1996 £	1995 £
<b>Group and company</b>		
Authorised:		
300,000 ordinary shares of £1 each	<u>300,000</u>	<u>300,000</u>
Allotted, called up and fully paid:		
172,845 ordinary shares of £1 each	<u>172,845</u>	<u>172,845</u>



**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 26 October 1996**

**21. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	1996 £	1995 £
Operating (loss)/profit	(41,122)	292,396
Depreciation and amortisation	499,170	537,370
Profit on sale of fixed assets	(30,750)	(120,590)
(Increase)/decrease in stocks	(47,685)	180,223
Increase in debtors	(982,750)	(58,922)
Increase in creditors	485,265	520,705
Net cash (outflow)/inflow from operating activities	(117,872)	1,351,182

**22. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR**

	1996 £	1995 £
Balance at 29 October 1995	(2,376,185)	(2,975,583)
Net cash outflow/(inflow)	(262,217)	599,398
Balance at 26 October 1996	(2,638,402)	(2,376,185)

**23. ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE CONSOLIDATED BALANCE SHEET**

	1996 £	1995 £	1994 £	1996 Change in year £	1995 Change in year £
Cash at bank and in hand	1,094	471	645	623	(174)
Bank overdraft	(2,639,496)	(2,376,656)	(2,976,228)	(262,840)	599,572
Cash and cash equivalents	(2,638,402)	(2,376,185)	(2,975,583)	(262,217)	599,398

**24. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR**

	1996 Finance leases and loans £	1995 Finance leases and loans £
Balance at 29 October 1995	1,952,712	2,042,272
New finance lease and hire purchase contracts	-	198,862
Loan repayments	(209,860)	(150,548)
Capital element of finance lease and hire purchase payments	(111,052)	(137,874)
Balance at 26 October 1996	1,631,800	1,952,712



**NOTES TO THE ACCOUNTS**  
**Year ended 26 October 1996**

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

<b>Group</b>	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Revaluation reserve</b>	<b>Capital redemption/ reserve</b>	<b>Profit and loss account</b>	<b>1996 Total</b>	<b>1995 Total</b>
	£	£	£	£	£	£	£
29 October 1995	172,845	261,353	39,676	52,269	1,850,510	2,376,653	2,643,639
Profit/(loss) for the year	-	-	-	-	802,560	802,560	(98,986)
Dividends	-	-	-	-	(96,000)	(96,000)	(168,000)
26 October 1996	172,845	261,353	39,676	52,269	2,557,070	3,083,213	2,376,653
<b>Company</b>							
	£	£	£	£	£	£	£
29 October 1995	172,845	261,353	39,676	52,269	144,470	670,613	1,492,789
Profit/(loss) for the year	-	-	-	-	90,634	90,634	(654,176)
Dividends	-	-	-	-	(96,000)	(96,000)	(168,000)
26 October 1996	172,845	261,353	39,676	52,269	139,104	665,247	670,613

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 26 October 1996**

**26. PENSION COSTS**

The group operates a defined benefit pension scheme for all qualified 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 £Nil (1995 - £Nil) 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 company in the year amounted to £36,474 (1995 - £43,189).

**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 (1995: £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 £4,124,418 (1995: £4,071,436).

**28. CAPITAL COMMITMENTS**

	1996		1995	
	Group £	Company £	Group £	Company £
Authorised, but not calculated for	591,724	-	-	-
Calculated for but not provided in the financial statements	267,800	-	14,214	-

**NOTES TO THE ACCOUNTS**  
**Year ended 26 October 1996**

**29. OPERATING LEASE COMMITMENTS**

The group has commitments during the next year under non-cancellable operating leases as set out below:

	Other £
<b>Leases which expire:</b>	
Within one year	10,504
Within two to five years	44,280
	<u>54,784</u>

**30. POST BALANCE SHEET EVENTS**

The company has made provision in the accounts for a bonus of £1,200,000 payable to the chairman. This will be satisfied in the period to October 1997 by the transfer of Thornecombe Farm at market value, including both land and property, which are held by the company, and fixed assets, which are held by a subsidiary company. The assets held by the subsidiary will be transferred to Hanford Holdings Plc at net book value and all overall surplus arising on disposal will be dealt with in the accounts.

**31. ADDITIONAL INFORMATION ON SUBSIDIARIES**

	Country of incorporation/ registration and operation	Activity	Proportion of ordinary shares held
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.