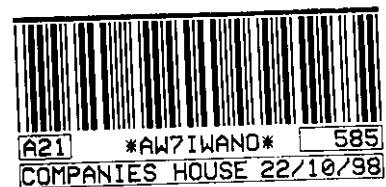


**CADOGAN ESTATES (AGRICULTURAL
HOLDINGS) LIMITED**

REPORT AND ACCOUNTS

31 DECEMBER 1997



CADOGAN ESTATES (AGRICULTURAL HOLDINGS) LIMITED**31 DECEMBER 1997**

Directors: The Earl Cadogan D.L.

S A Corbyn

Secretary: J L Treves

Registered office: 18 Cadogan Gardens
London SW3 2RP

Registered number: ~~833770~~
823770

CADOGAN ESTATES (AGRICULTURAL HOLDINGS) LIMITED

DIRECTORS' REPORT

The directors present their report for the year ended 31 December 1997.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS

The principal activity of the company continues to be that of property investment, farming and fishing in Scotland.

ACCOUNTS AND DIVIDEND

The accounts show a loss for the year attributable to shareholders of £262,533. The directors recommend that no dividend be paid for the year.

DIRECTORS

The directors listed on page 1 held office throughout the year under review

None of the directors has any beneficial interest in the shares of the company. The interests of The Earl Cadogan in the shares of the holding company, Cadogan Group Limited and its subsidiaries are shown in the accounts of that company.

FIXED ASSETS

The details of the movement on tangible fixed assets including the revaluation of freehold investment properties can be found in note 8 on the accounts.

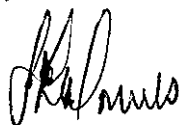
THE DIRECTORS' RESPONSIBILITIES IN RELATION TO THE COMPANY'S ACCOUNTS

The directors are required by the Companies Act 1985 to prepare accounts which 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 result for the year. The directors consider that, in preparing the accounts which accompany this report, the company has used appropriate accounting policies, and that all accounting standards which they believe to be applicable have been followed. They further consider that these accounting policies have been consistently applied and are supported by reasonable and prudent judgements and estimates.

The accounts have been prepared on a going concern basis as the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985. The directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the company's assets and to prevent and detect fraud and other irregularities.

By order of the board



J L Treves
Secretary

31 July 1998

**REPORT OF THE AUDITORS
TO THE MEMBERS OF
CADOGAN ESTATES (AGRICULTURAL HOLDINGS) LIMITED**

We have audited the accounts on pages 4 to 11 which have been prepared under the historical cost convention as modified by the revaluation of certain assets and on the basis of the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 as to whether the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. However, the evidence available to us was limited because we were unable to attend the stocktake and because records are not available to calculate the cost of the stock.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

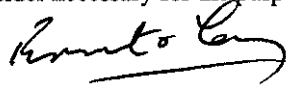
QUALIFIED OPINION ARISING FROM DEPARTURE FROM SSAP9 AND IN RESPECT OF LIMITATION IN AUDIT SCOPE

As stated in note 2(d) certain stocks have been valued at other than the lower of cost and net realisable value. This is not in accordance with SSAP9.

As noted above information in respect of the existence and valuation of stock is not available.

Except for any adjustments that might have been necessary to stock had we been able to obtain the information noted above and except for the non compliance with SSAP9, in our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Other than the limitation on our work relating to stocks we have obtained all the information and explanations that we consider necessary for the purpose of our audit.


Ernst & Young
Registered auditor
London

31 July 1998

CADOGAN ESTATES (AGRICULTURAL HOLDINGS) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	Note	1997 £	1996 £
TURNOVER	3/4	123,633	131,665
Operating costs	5	(390,090)	(286,317)
Government grants		36,484	46,905
		<u>(229,973)</u>	<u>(107,747)</u>
Share of loss in farming partnership		(18,683)	(11,682)
NET OPERATING LOSS		<u>(248,656)</u>	<u>(119,429)</u>
Profit on sale of fixed assets		4,798	59
		<u>(243,858)</u>	<u>(119,370)</u>
Interest receivable		739	1,306
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	<u>(243,119)</u>	<u>(118,064)</u>
Tax on loss on ordinary activities	7	(19,414)	-
RETAINED LOSS	12	<u>£(262,533)</u>	<u>£(118,064)</u>

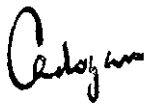
RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses other than the loss attributable to shareholders of the company of £262,533 in the year ended 31 December 1997 and £118,064 in the year ended 31 December 1996

CADOGAN ESTATES (AGRICULTURAL HOLDINGS) LIMITED

BALANCE SHEET 31 DECEMBER 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Tangible assets	8	3,013,957	2,946,124
Investments	9	350,149	357,684
		<u>3,364,106</u>	<u>3,303,808</u>
CURRENT ASSETS			
Stocks	10	107,576	105,382
Trade debtors		1,278	8,375
Other debtors		26,571	20,982
Taxation		1,008	20,422
Cash at bank		-	22,981
		<u>136,433</u>	<u>178,142</u>
CREDITORS - amounts falling due within one year			
Bank overdraft		23,387	-
Trade creditors		33,574	19,838
		<u>56,961</u>	<u>19,838</u>
NET CURRENT ASSETS		<u>79,472</u>	<u>158,304</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,443,578</u>	<u>3,462,112</u>
CREDITORS - amounts falling due after more than one year			
Amount owed to parent undertaking		5,297,970	5,053,971
		<u>£(1,854,392)</u>	<u>£(1,591,859)</u>
CAPITAL AND RESERVES			
Called-up share capital	11	5,000	5,000
Capital reserve		395,191	395,191
Profit and loss account	12	(2,254,583)	(1,992,050)
		<u>£(1,854,392)</u>	<u>£(1,591,859)</u>
	13	<u>£(1,854,392)</u>	<u>£(1,591,859)</u>


The Earl Cadogan - Director

S A Corbyn - Director

31 July 1998



CADOGAN ESTATES (AGRICULTURAL HOLDINGS) LIMITED

NOTES ON THE ACCOUNTS 31 DECEMBER 1997

1 FUNDAMENTAL ACCOUNTING CONCEPT

The accounts have been prepared under the going concern concept because the parent company has agreed to provide adequate funds for the company to meet its liabilities as they fall due.

2 ACCOUNTING POLICIES

(a) Accounting convention

The accounts have been prepared under the historical cost convention modified by the revaluation of investment properties and in accordance with all applicable accounting standards. Compliance with SSAP 19 "Accounting for Investment Properties" requires a departure from the requirements of the Companies Act 1985 relating to depreciation and amortisation and an explanation of this departure is given in (b) below.

(b) Depreciation

In accordance with SSAP 19 no depreciation is provided on freehold investment properties. Although the Companies Act 1985 requires all properties to be depreciated the directors believe that departure from this requirement is necessary in order for the accounts to give a true and fair view. Depreciation is reflected in the open market value of the investment properties included in the accounts and cannot be quantified separately.

Other fixed assets are depreciated on a straight line basis at varying annual rates as set out below:

Vehicles, plant and fixtures	20% per annum on written down value
Furniture	10% per annum on cost

(c) Investment properties

Investment properties are included in the accounts at directors' valuation at the year end. Any surplus arising on revaluation is taken through the statement of total recognised gains and losses to the revaluation reserve. Any resulting deficit, if temporary, is taken through the statement of total recognised gains and losses to the revaluation reserve. If a deficit below original cost arises and is deemed to be permanent it is taken through the profit and loss account. Additions to properties include costs of a capital nature only; interest and other costs in respect of developments and refurbishments are treated as revenue expenditure and written off as incurred.

(d) Stock

Stock comprises farm livestock and foodstuffs. Livestock is valued by the company's factor at estimated cost and foodstuffs are valued at the lower of cost or net realisable value.

(e) Deferred taxation

Provision is made for deferred taxation on all material timing differences which are expected to crystallise in the foreseeable future.

CADOGAN ESTATES (AGRICULTURAL HOLDINGS) LIMITED

NOTES ON THE ACCOUNTS 31 DECEMBER 1997

3 TURNOVER

Turnover comprises the invoice value, excluding VAT, of goods supplied by the company during the year.

4 ANALYSIS OF TURNOVER AND LOSSES BETWEEN ACTIVITIES AND MARKETS

	Turnover		Loss before tax	
	1997	1996	1997	1996
	£	£	£	£
Farming and fishing	108,833	115,663	(146,434)	(55,490)
Property investment	14,800	16,002	(78,002)	(50,892)
Share of loss in farming partnership	-	-	(18,683)	(11,682)
	<u>£123,633</u>	<u>£131,665</u>	<u>£(243,119)</u>	<u>£(118,064)</u>

All turnover arises in Scotland.

5 OPERATING COSTS

	1997	1996
	£	£
Change in stocks	(2,194)	(11,089)
Consumables and livestock purchases	37,501	31,063
Staff costs (note 6)	46,716	41,835
Depreciation (note 8)	30,990	26,549
Auditors' remuneration:		
As auditors	1,000	1,300
Other services	1,277	1,277
Bank overdraft interest	732	35
Other operating charges	274,068	195,347
	<u>£390,090</u>	<u>£286,317</u>

CADOGAN ESTATES (AGRICULTURAL HOLDINGS) LIMITED

NOTES ON THE ACCOUNTS 31 DECEMBER 1997

6 EMPLOYEES AND EMPLOYEE COSTS

The average number of persons employed by the company, including directors, during the year was eight (1996 - eight).

Employee costs comprised:

	1997 £	1996 £
Wages and salaries	42,004	34,680
Social security costs	3,498	3,069
Pension costs	1,214	4,086
	<u>£46,716</u>	<u>£41,835</u>

The directors received no remuneration during the year.

7 TAXATION

The taxation charge in the profit and loss account comprises the following:

	1997	1996
Adjustment in respect of previous years	£19,414	-
	<u> </u>	<u> </u>

The company is a close company.

CADOGAN ESTATES (AGRICULTURAL HOLDINGS) LIMITED

NOTES ON THE ACCOUNTS 31 DECEMBER 1997

8 TANGIBLE FIXED ASSETS

	Freehold investment properties £	Vehicles, plant, fixtures & furnishings £	Total £
Cost or valuation			
At 31 December 1996	2,820,080	303,755	3,123,835
Additions	66,560	36,810	103,370
Disposals	-	(13,010)	(13,010)
At 31 December 1997	<u>2,886,640</u>	<u>327,555</u>	<u>3,214,195</u>
Depreciation			
At 31 December 1996	-	177,711	177,711
Charge for year	-	30,990	30,990
Disposals	-	(8,463)	(8,463)
At 31 December 1997	<u>-</u>	<u>200,238</u>	<u>200,238</u>
Net book amounts at 31 December 1997	<u>£2,886,640</u>	<u>£127,317</u>	<u>£3,013,957</u>
31 December 1996	<u>£2,820,080</u>	<u>£126,044</u>	<u>£2,946,124</u>

The freehold investment properties were revalued at 31 December 1997 by the directors on the basis of open market value. The cost of the freehold investment properties at 31 December 1997 was £4,115,173 (1996 - £4,048,613).

9 FIXED ASSETS INVESTMENTS

	1997 £	1996 £
Accumulated net capital contributions to farming partnership at 31 December 1996	357,684	369,366
Additional contribution	11,148	-
Share of loss	(18,683)	(11,682)
Accumulated net capital contributions at 31 December 1997	<u>£350,149</u>	<u>£357,684</u>

CADOGAN ESTATES (AGRICULTURAL HOLDINGS) LIMITED

NOTES ON THE ACCOUNTS 31 DECEMBER 1997

9 FIXED ASSETS INVESTMENTS - continued

The fixed asset investment represents the company's net capital contributions to the Snaigow Farming Partnership, operating in Scotland. The terms of the partnership agreement give the company a 47% share of any profit or loss in return for providing the working capital for the business. The partnership accounts have been prepared to 30 June 1997.

10 STOCKS

	1997 £	1996 £
Livestock	92,572	89,850
Foodstuff	15,004	15,532
	<u>£107,576</u>	<u>£105,382</u>

11 CALLED-UP SHARE CAPITAL

	1997	1996
Authorised, allotted and fully paid ordinary shares of £1 each	<u>£5,000</u>	<u>£5,000</u>

12 PROFIT AND LOSS ACCOUNT

	1997 £	1996 £
Retained loss for year	(262,533)	(118,064)
Permanent diminution in value of investment properties	-	(1,228,533)
	<u>(262,533)</u>	<u>(1,346,597)</u>
Balance at 31 December 1996	(1,992,050)	(645,453)
Balance at 31 December 1997	<u>£(2,254,583)</u>	<u>£(1,992,050)</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Loss attributable to members	(262,533)	(118,064)
Opening shareholders' funds	(1,591,859)	(1,473,795)
Closing shareholders' funds	<u>£(1,854,392)</u>	<u>£(1,591,859)</u>

CADOGAN ESTATES (AGRICULTURAL HOLDINGS) LIMITED**NOTES ON THE ACCOUNTS
31 DECEMBER 1997****14 ULTIMATE HOLDING COMPANY**

The holding company for all operational purposes is Cadogan Group Limited and the ultimate holding company is Cadogan Settled Estates Limited, both of which are registered in England and Wales.

The ultimate ownership of Cadogan Settled Estates Limited is vested in the Eighth Earl Cadogan's 6 December 1961 Settlement.

Group accounts are prepared by Cadogan Settled Estates Limited and Cadogan Group Limited and can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF4 3UZ.