

LOVEDEN HOLDINGS LIMITED

Report and Financial Statements

31 July 1999

Deloitte & Touche
1 Woodborough Road
Nottingham
NG1 3FG



**REPORT AND FINANCIAL STATEMENTS
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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

N D S Brown

P F S Brown

SECRETARY

N J Penistan

REGISTERED OFFICE

Loveden Holdings Limited

Brook House

42 Manor Street

Ruskington

Sleaford

Lincs

NG34 9EP

BANKERS

Midland Bank Plc

26 Market Place

Sleaford

Lincs

NG34 7SB

SOLICITORS

Mossop & Bowser

10 Spalding Road

Holbeach

Lincs

PE12 7LP

AUDITORS

Deloitte & Touche

Chartered Accountants

1 Woodborough Road

Nottingham

NG1 3FG

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 July 1999.

ACTIVITIES

The group is involved in farming.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company benefited from high potato prices in respect of the 1998 harvest.

It continues to seek diversification away from commodity crops and, during the year, established an organic farm and a crisp manufacturing business and, subsequent to 31 July 1999, purchased a dairy farm.

An attempt to acquire during the year another farm of significant size, meeting our cropping criteria was unsuccessful.

YEAR 2000

The directors confirm that their computer programmes have been upgraded and are millennium compatible.

RESULTS AND DIVIDENDS

The group's trading profit for the year after taxation was £803,000 compared to £523,000 for the year ended 31 July 1999. No dividends were paid in the year (1998 - £Nil paid).

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year and their interests in the ordinary shares of the company during the year were as follows:

	'B' ordinary shares	
	At 31 July 1999	At 31 July 1998
N D S Brown and P F S Brown (non-beneficial)	35,941	38,366
N D S Brown	4,850	4,850
P F S Brown	16,772	20,097

Beneficial interests include those of spouses and infant children. The directors do not have any shareholding in the share capital of the subsidiary undertakings.

BUILDINGS

The directors are of the opinion that the market value of the land and buildings is in excess of the net book value, but in the absence of a recent valuation, the amount of the excess is not qualified.

**DIRECTORS' REPORT****DIRECTORS' STATEMENT OF 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;
- 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 group and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

N J PENISTAN

Secretary

6 December 1999



AUDITORS' REPORT TO THE MEMBERS OF

LOVEDEN HOLDINGS LIMITED

We have audited the financial statements on pages 5 to 18 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company and the group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and of the group at 31 July 1999 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


CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 July 1999

	Note	1999 £'000	1998 £'000
TURNOVER: continuing operations	2	3,152	2,941
Cost of sales		(2,208)	(2,323)
Gross profit		944	618
Other operating income		31	38
		975	656
Administrative expenses		(228)	(291)
OPERATING PROFIT: continuing Operations		747	365
Income from other fixed asset investments	3	63	57
Interest receivable and similar income	6	303	351
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,113	773
Tax on profit on ordinary activities	7	(310)	(250)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		803	523
Retained profit for the financial year transferred to reserves	16	803	523

There are no recognised gains or losses for the current or preceding financial year other than as stated above.


CONSOLIDATED BALANCE SHEET
31 July 1999

	Note	1999 £'000	1998 £'000
FIXED ASSETS			
Tangible assets	9	9,457	9,423
Investments	10	570	400
		<u>10,027</u>	<u>9,823</u>
CURRENT ASSETS			
Stocks	11	1,046	1,071
Debtors	12	145	345
Cash at bank and in hand		5,714	4,563
		<u>6,905</u>	<u>5,979</u>
CREDITORS: amounts falling due			
Within one year	13	(732)	(383)
		<u>6,173</u>	<u>5,596</u>
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		16,200	15,419
PROVISIONS FOR LIABILITIES AND CHARGES	14	(22)	(44)
		<u>16,178</u>	<u>15,375</u>
CAPITAL AND RESERVES			
Called up share capital	15	71	71
Share premium account		7	7
Capital redemption reserve	16,17	129	129
Profit and loss account	16	15,971	15,168
		<u>16,178</u>	<u>15,375</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	18	<u>16,178</u>	<u>15,375</u>

These financial statements were approved by the Board of Directors on 6 December 1999.

Signed on behalf of the Board of Directors

N D S BROWN

P F S BROWN

Directors



COMPANY BALANCE SHEET
31 July 1999

	Note	1999 £'000	1998 £'000
FIXED ASSETS			
Tangible assets	9	8,714	8,714
Investments	10	570	400
		<u>9,284</u>	<u>9,114</u>
CURRENT ASSETS			
Debtors	12	217	309
Cash at bank and in hand		4,204	4,019
		<u>4,421</u>	<u>4,328</u>
CREDITORS: amounts falling due			
Within one year	13	(65)	(28)
NET CURRENT ASSETS		<u>4,356</u>	<u>4,300</u>
NET ASSETS		<u>13,640</u>	<u>13,414</u>
CAPITAL AND RESERVES			
Called up share capital	15	71	71
Share premium account		7	7
Capital redemption reserve	16,17	129	129
Profit and loss account	16	13,433	13,207
TOTAL EQUITY SHAREHOLDERS' FUNDS	18	<u>13,640</u>	<u>13,414</u>

These financial statements were approved by the Board of Directors on 6 December 1999.

Signed on behalf of the Board of Directors

N D S BROWN

P F S BROWN

Directors


CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 July 1999

	Note	1999 £'000	1998 £'000
Net cash inflow from operating activities	22	1,221	777
Returns on investments and servicing of finance			
Interest received		303	351
Dividends received		56	46
Net cash inflow from returns on investments and servicing of finance		359	397
Taxation			
Corporation tax paid (including advance corporation tax)		(146)	(751)
Tax paid		(146)	(751)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(283)	(96)
Receipts from sales of tangible fixed assets		-	35
Net cash outflow from capital expenditure		(283)	(61)
Net cash inflow before financing		1,151	362
Financing			
Purchase of own shares		-	(1,073)
Increase/(Decrease) in cash	23,24	1,151	(711)

**NOTES TO THE ACCOUNTS****Year ended 31 July 1999****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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Loveden Holdings Limited and its subsidiary company for the year ended 31 July 1999. A separate profit and loss account dealing with the results of the holding company has not been presented in accordance with Section 230 of the Companies Act 1985.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Buildings	5% per annum straight line
Motor vehicles (year of acquisition)	36% per annum straight line
Motor vehicles (second and subsequent years)	24% per annum straight line
All other tangible fixed assets	5-25% per annum straight line

Investments

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

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Costs of cultivations include overheads appropriate to the stage of cultivation.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Operating leases

Annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

Recognition of area aid income

Area aid income, including set-aside, is recognised in the profit and loss account when the underlying crops are sold. For crops harvested but unsold at the year end date, the relevant area aid and set-aside is treated as deferred income on the balance sheet.

2. TURNOVER

Turnover represents the invoice amount of goods sold and services provided exclusive of value added tax and has been made wholly in respect of the principal activity of the group. The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to the company's principal activity.



NOTES TO THE ACCOUNTS

Year ended 31 July 1999

3. INCOME FROM OTHER FIXED ASSET INVESTMENTS

	1999 £'000	1998 £'000
Listed investments		
Dividends received	63	57

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1999	1998
No directors are members of a pension scheme funded by the company.		

	No	No
Average number of persons employed		
Production	22	17
Administration	5	4
	27	21

	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	440	354
Social security costs	40	34
Pension costs	-	-
	480	388


NOTES TO THE ACCOUNTS
Year ended 31 July 1999
5. OPERATING PROFIT

	1999 £'000	1998 £'000
Operating profit is after charging:		
Management services	-	75
Depreciation		
Owned assets	249	243
Rentals under operating leases		
Hire of plant and machinery	189	205
Hire of land	75	78
Auditors' remuneration		
For audit services to the group	12	12
For audit services to the company	2	2
For other services	3	3
	<u> </u>	<u> </u>
And after crediting:		
Rents receivable	(12)	(24)
	<u> </u>	<u> </u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	1999 £'000	1998 £'000
Bank interest	303	351
	<u> </u>	<u> </u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

United Kingdom corporation tax at 31% (1998 - 31%) based on the profit for the year	330	213
Deferred taxation	(22)	4
Tax on franked investment income	-	11
	<u> </u>	<u> </u>
	308	228
Adjustments to prior years' tax provisions		
Corporation tax under/(over)provision	(6)	(10)
Advanced corporation tax over provision	8	-
Tax on franked investment income	-	19
	<u> </u>	<u> </u>
	310	250
	<u> </u>	<u> </u>

8. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the financial year amounted to £226,000 (1998 - £210,000).


NOTES TO THE ACCOUNTS
Year ended 31 July 1999
9. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £'000	Plant And machinery £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At 1 August 1998	8,929	1,124	51	10,104
Additions	-	251	32	283
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 1999	8,929	1,375	83	10,387
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 August 1998	19	630	32	681
Charge for the year	12	219	18	249
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 1999	31	849	50	930
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 July 1999	8,898	526	33	9,457
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 1998	8,910	494	19	9,423
	<hr/>	<hr/>	<hr/>	<hr/>

Company	Freehold land and buildings £'000
Cost	
At 1 August 1998 and 31 July 1999	8,714
	<hr/>
Depreciation	
At 1 August 1998 and 31 July 1999	-
	<hr/>
Net book value	
At 31 July 1999	8,714
	<hr/>
At 31 July 1998	8,714
	<hr/>


NOTES TO THE ACCOUNTS
Year ended 31 July 1999
10. INVESTMENTS

	1999 £'000	1998 £'000
Group and company		
Shares listed on the London Stock Exchange	570	400
	£	£
Company – shares in subsidiary undertakings:		
At 1 August 1998	2	2
Additions in year	2	-
At 31 July 1999	4	2

Shares on listed London Stock Exchange

The investment consists of 25.02% (1998 – 20.52%) of the ordinary share capital of Sentry Farming Group plc. The company is incorporated in Great Britain and registered in England and Wales and its principal activities are farming and farm management.

The directors consider the investment to be of long term nature and in 1992 it was written down to a value of £400,000. During the year, the company purchased a further 340,000 shares in Sentry Farming Group plc. The market value at 31 July 1999 was £1,023,393 (1998 - £845,784). At an extraordinary general meeting held on 28 October 1999, the shareholders of Sentry Farming Group plc agreed to the disposal of their farming interests by 30 September 2000. In view of this ongoing transaction, the investment has not been revalued during the year.

Sentry Farming Group plc suffered a loss after tax of £347,000 for the year ended 31 December 1998 and had equity shareholders' funds of £5,286,000. The directors consider that the group's share of the results of Sentry Farming Group plc is not material in relation to the groups' financial statements.

Subsidiary undertaking:

The investment consists of 100% (1998 – 100%) of the ordinary share capital of Loveden Estates Limited. The company is incorporated in Great Britain and registered in England and Wales and its principal activity is farming. The subsidiary has been included in the consolidation.

During the year, Loveden Estates Limited also formed a dormant company called Crown Park Foods Limited, with share capital of £2. Loveden Estates Limited holds 100% of the share capital of Crown Park Foods Limited, a company incorporated in Great Britain and registered in England and Wales. The company did not trade during the year.

11. STOCKS

	Group	
	1999 £'000	1998 £'000
Raw materials and consumables	38	29
Growing crops and work in progress	1,008	1,042
	1,046	1,071


NOTES TO THE ACCOUNTS
Year ended 31 July 1999
12. DEBTORS

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Trade debtors	28	80	-	-
Amounts owed by group undertakings	-	-	191	91
Other debtors	117	265	26	218
	<u>145</u>	<u>345</u>	<u>217</u>	<u>309</u>

All debtors are due within one year.

13. CREDITORS

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Trade creditors	286	132	-	-
Corporation tax	330	167	60	25
Other tax and social security	11	14	-	-
Accruals and deferred income	105	70	5	3
	<u>732</u>	<u>383</u>	<u>65</u>	<u>28</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Group	
	1999	1998
	£'000	£'000
Deferred taxation		
Balance at 1 August 1998	44	40
Provision - current year	(22)	4
Balance at 31 July 1999	<u>22</u>	<u>44</u>

The amounts provided in the accounts and the amounts not provided are as follows:

	Provided	Provided	Not	Not
	31 July	31 July	Provided	provided
	1999	1998	31 July	31 July
	£'000	£'000	1999	1998
	£'000	£'000	£'000	£'000
Capital allowances in advance of depreciation	22	44	-	-
Taxation on valuation surplus	-	-	-	-
	<u>22</u>	<u>44</u>	<u>-</u>	<u>-</u>



NOTES TO THE ACCOUNTS

Year ended 31 July 1999

15. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised 200,000 'B' ordinary shares of £1 each	200,000	200,000
Allotted and fully paid 'B' ordinary shares of £1 each	70,389	70,389

16. STATEMENT OF MOVEMENTS ON RESERVES

	Capital redemption reserve £'000	Profit and loss account £'000
THE GROUP		
At 1 August 1998	129	15,168
Profit for the year	-	803
At 31 July 1999	129	15,971
THE COMPANY		
At 1 August 1998	129	13,207
Profit for the year	-	226
At 31 July 1999	129	13,433

17. CAPITAL REDEMPTION RESERVE

The capital redemption reserve was created when the company purchased 102,030 of its own shares in 1988, 22,216 in 1992 and a further 5,365 in 1998.



NOTES TO THE ACCOUNTS

Year ended 31 July 1999

18. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Profit for the financial period	803	523	226	210
Capital redeemed	-	(1,073)	-	(1,073)
Net addition to (reduction in) shareholders' funds	803	(550)	226	(550)
Opening shareholders' funds	15,375	15,925	13,414	14,277
Closing shareholders' funds	16,178	15,375	13,640	13,414

19. RELATED PARTY TRANSACTIONS

The company made the following transactions on an arms length basis with companies under common control and companies in which it had a shareholding investment.

	1999	1998
	£'000	£'000
Sales		
Sentry Farming Group PLC	7	10
Purchases		
Brown Butlin Group Limited	496	507
Sentry Farming Group PLC	-	-
Management charge		
Brown Butlin Group Limited	-	75

At the year end, the balances outstanding due to companies under common control and companies in which it had a shareholding investment were:

	1999	1998
	£'000	£'000
Brown Butlin Group Limited	35	(31)
Sentry Farming Group PLC	(4)	(2)

Mr P F S Brown is a partner in the firm of Mossop & Bowser, solicitors of Loveden Holdings Limited, which carried out legal work during the year on behalf of the company to the value of £4,289.



NOTES TO THE ACCOUNTS

Year ended 31 July 1999

20. OPERATING LEASE COMMITMENTS – GROUP

At 31 July 1999, the company was committed to making the following payments during the next year in respect of operating leases.

	Land and buildings 1999 £'000	Other 1999 £'000	Land and buildings 1998 £'000	Other 1998 £'000
Leases which expire:				
Within one year	42	-	46	32
Within 2 to 5 years	33	79	32	66
	<u>75</u>	<u>79</u>	<u>78</u>	<u>98</u>

21. CAPITAL COMMITMENTS

	1999 £'000	1998 £'000
Capital expenditure contracted for but not provided in the accounts	<u>1,429</u>	<u>32</u>

22. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/OUTFLOW FROM OPERATING ACTIVITIES

	1999 £'000	1998 £'000
Operating profit	747	365
Depreciation	249	243
Profit on sale of tangible fixed assets	-	(21)
Decrease in stocks	25	199
Decrease in debtors	15	110
Increase/(decrease) in creditors	185	(119)
Net cash inflow from operating activities	<u>1,221</u>	<u>777</u>


NOTES TO THE ACCOUNTS
Year ended 31 July 1999
23. ANALYSIS OF NET FUNDS

	At 1 August 1998 £'000	Cash Flow £'000	At 31 July 1999 £'000
Cash in hand and at bank	4,563	1,151	5,714
Total	4,563	1,151	5,714

24. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	1999 £'000	1999 £'000	1998 £'000	1998 £'000
Increase/(decrease) in cash in the period	1,151		(711)	
		1,151		(711)
Movement in net funds in the period		1,151		(711)
Net funds at start of year		4,563		5,274
Net funds at end of year		5,714		4,563