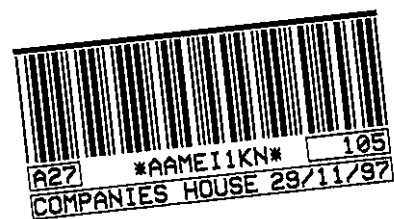




**HOUGHALL FARM
LIMITED**

**Directors' Report and Financial Statements
for the Year Ended 31st July 1997**

Registered Number 2794098



HOUGHALL FARM LIMITED

Directors' Report and Financial Statements

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HOUGHALL FARM LIMITED

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 July 1997.

Principle activities

The principle activity of the company is to engage in agricultural activities for both commercial and educational purposes.

Business review

The company's profit and loss account appears on page 4 and shows a loss for the year of £ 46,293 (£ 20,117 loss for 1995/96).

Transfer to reserves

The loss for the year has been taken to reserves.

Directors and directors' interests

The directors who held office during the year were as follows:

Alan Hetherington	Resigned 31 October 1997
W. Gordon Proud	
Edward H. Richardson	
John H. Reid	

None of the directors who held office at the end of the year had any disclosable interest in the shares of the company.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board:


W. Gordon Proud
Director

Houghall Farm Limited,
Houghall, Durham,
DH1 3SG.

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 of the profit or loss for that year. In preparing these financial statements, the directors are required to :

- (a). Select suitable accounting policies and then apply them consistently.
- (b). Make judgements and estimates that are reasonable and prudent.
- (c). Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS , KPMG, TO THE MEMBERS OF HOUGHALL FARM LIMITED.

We have audited the financial statements on pages 4 to 10.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company as at 31 July 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Chartered Accountants
Registered Auditors

24 November 1997

KPMG
Quayside House,
110 Quayside,
Newcastle Upon Tyne,
NE1 3DX.

HOUGHALL FARM LIMITED

Profit and Loss Account for the year ended 31 July 1997

	<i>Note</i>	1997 (£)	1996 (£)
Turnover - continuing operations	1	416,541	431,159
Cost of Sales		(387,678)	(344,779)
		-----	-----
Gross Profit		28,863	86,380
Distribution expenses		(5,770)	(3,467)
Administrative expenses	5	(155,008)	(185,979)
Other operating income		83,969	115,057
		-----	-----
Operating (loss) \ profit - continuing operations		(47,946)	11,991
Interest receivable	6	1,690	1,445
Interest payable	7	(37)	(658)
Other charges	8	0	(32,895)
		-----	-----
Loss on Ordinary Activities before Taxation	2	(46,293)	(20,117)
Tax on ordinary activities	9	0	0
		-----	-----
Loss for the year	16	(46,293) =====	(20,117) =====

The company has not recognised any gains and losses other than those passing through the profit and loss account.

HOUGHALL FARM LIMITED

Balance Sheet as at 31 July 1997

	Note	1997 (£)	1997 (£)	1996 (£)	1996 (£)
Fixed Assets					
Tangible assets	10		51,643		71,465
Current Assets					
Stocks	11	256,359		274,281	
Debtors	12	32,382		41,079	
Cash at bank and in hand		42,755		3,384	
			-----	-----	
			331,496	318,744	
Creditors					
- amounts falling due within one year	13	(129,436)		(90,213)	
			-----	-----	
Net current assets			202,060		228,531
			-----	-----	
Net assets			253,703		299,996
			=====		=====
Capital and reserves					
Called up share capital	14		422,126		422,126
Profit and loss account	15		(168,423)		(122,130)
			-----	-----	
			253,703		299,996
			=====		=====

These financial statements were approved by the board of directors on 17 November 1997 and were signed on its behalf by:


W. Gordon Proud

Director

HOUGHALL FARM LIMITED

Reconciliation of Movements in Shareholders' funds for the year ended 31 July 1997

	<i>Note</i>	1997 (£)	1996 (£)
Loss for the year		(46,293)	(20,117)
Opening shareholders' funds		299,996	320,113
Closing shareholders' funds		<u>253,703</u> =====	<u>299,996</u> =====

Notes
(forming part of the financial statements)

1. **Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cashflow statement as it is entitled to the filing exemptions as a small company under sections 246 to 249 of the Companies Act 1985 when filing accounts with the Registrar of Companies.

Fixed Assets and Depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful lives as follows:

Plant and machinery	- 4 - 8 years
Office and computer equipment	- 2 - 4 years

Stocks

Stocks are professionally valued at the year end by T. Murray Ltd., Agricultural and Industrial Valuers, and are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. Work in progress and finished goods stocks are valued on an open market value basis.

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding valued added tax) derived from the provision of goods and services to customers during the year.

2. **Loss on ordinary activities before taxation**

1997	1996
(£)	(£)

Loss on ordinary activities before taxation is stated after charging \ (crediting)

(a) Depreciation and other amounts written off tangible fixed assets:		
Owned	28,613	37,539
(b) Profit on disposal of fixed asset	(3,264)	0

3. **Remuneration of directors**

None of the directors received any remuneration during the year or the previous year.

4. **Staff numbers and costs**

The company has no employees other than the directors. All staff are employed by Durham College of Agriculture and Horticulture and a recharge is made for costs relating to those staff employed in the activities of the company.

HOUGHALL FARM LIMITED

Notes

(continued)

5.	Administrative expenses	1997 (£)	1996 (£)
	Administrative expenses include:		
	Hunter Survey	57,023	88,315
	External Auditors' remuneration		
	Audit	860	760
	Other services	415	800
		-----	-----
		1,275	1,560
6.	Interest receivable	1997 (£)	1996 (£)
	Bank interest	1,690	1,445
		=====	=====
7.	Interest payable	1997 (£)	1996 (£)
	On loans repayable by instalments within 5 years		
	- payable to group undertakings	37	178
	- hire purchase agreements	0	480
		-----	-----
		37	658
		=====	=====
8.	Other Charges	1997 (£)	1996 (£)
	Gift Aid payment	0	32,895
		=====	=====
9.	Taxation		
	No tax charge arises on the loss for the year.		

Notes

(continued)

10.	Tangible fixed assets			
		Plant and Machinery	Office and Computer Equipment	Total
		(£)	(£)	(£)
	<i>Cost</i>			
	At 1 August 1996	183,179	3,042	186,221
	Additions	7,782	1,295	9,077
	Disposals	(4,575)	(725)	(5,300)
		-----	-----	-----
	At 31 July 1997	186,386	3,612	189,998
		-----	-----	-----
	<i>Depreciation</i>			
	At 1 August 1996	111,714	3,042	114,756
	Charge for the year	28,316	297	28,613
	Disposals	(4,289)	(725)	(5,014)
		-----	-----	-----
	At 31 July 1997	135,741	2,614	138,355
		-----	-----	-----
	Net book value - at 31 July 1997	50,645	998	51,643
		=====	=====	=====
	Net book value - at 31 July 1996	71,465	0	71,465
		=====	=====	=====
11.	Stocks	1997	1996	
		(£)	(£)	
	Raw materials and consumables	34,076	37,694	
	Work in progress	19,345	18,848	
	Finished goods and goods for resale	202,938	217,739	
		-----	-----	
		256,359	274,281	
		=====	=====	
12.	Debtors - due within one year	1997	1996	
		(£)	(£)	
	Trade debtors	149	699	
	Amounts owed by group undertakings	1,977	183	
	Other debtors	7,091	10,010	
	Prepayments and accrued income	23,165	30,187	
		-----	-----	
		32,382	41,079	
		=====	=====	
13.	Creditors - amounts falling due within one year	1997	1996	
		(£)	(£)	
	Trade creditors	43,123	17,873	
	Amounts owed to group undertakings	72,091	54,857	
	Other tax and social security	0	7,895	
	Other creditors	515	2,022	
	Accruals and deferred income	13,707	7,566	
		-----	-----	
		129,436	90,213	
		=====	=====	

HOUGHALL FARM LIMITED

<u>Notes</u>	<i>(continued)</i>		
14.	Called up share capital	1997	1996
		(£)	(£)
	<i>Authorised</i>		
	Ordinary shares of £ 1 each	422,126	422,126
		=====	=====
	<i>Allotted, called up and fully paid</i>		
	Ordinary shares of £ 1 each	422,126	422,126
		=====	=====
15.	Profit and Loss Account		
			(£)
	At 1 August 1996		(122,130)
	Loss for the year		(46,293)

	At 31 July 1997		(168,423)
			=====
16.	Commitments		
	There were no capital commitments at 31 July 1996 or at 31 July 1997.		
17.	Parent undertaking of larger group of which the company is a member		
	The company is a subsidiary undertaking of Durham College of Agriculture and Horticulture which carries out its activities at Houghall, Durham.		