STONEGATE FARMERS LIMITED

AND SUBSIDIARY COMPANIES

REPORT AND FINANCIAL STATEMENTS

For the 52 weeks ended

30 September 2000

Registered No: 740635

STONEGATE FARMERS LIMITED

FINANCIAL STATEMENTS

For the 52 weeks ended 30 September 2000

Page

STONEGATE FARMERS LIMITED

COMPANY INFORMATION

DIRECTORS	A J Parker (Chairman) M R J Kent, BA (Hons)., (Managing) N J Redman, FCA M J Baldwin N I Rogers, FCCA
SECRETARY	N J Redman, FCA
REGISTERED OFFICE	15 North Street Hailsham East Sussex BN27 1DH
AUDITORS	HLB Kidsons Chartered Accountants Enterprise House 83a Western Road Hove East Sussex BN3 1LJ
BANKERS	Midland Bank PLC 1 Market Street Hailsham East Sussex BN27 2AA

STONEGATE FARMERS LIMITED & Subsidiary Companies

CHAIRMAN'S REVIEW

OVERVIEW

I am pleased to be able to report to you that the Group has declared a pre-tax profit of £704,000 after exceptional costs of over £630,000 for the 1999/2000 year, following two years of losses totalling in excess of £4 million before tax. This turnaround has arisen through a combination of better egg supply management to reduce our surpluses and tight cost control through a fundamental restructuring of the Group's activities.

FINANCE

The Group's turnover has fallen from £74.9 million to £67.3 million, which is a reflection of the reducing throughputs as we tightened supply and concentrated on the more profitable sales base. Close control over cashflows and capital expenditure has also benefited our borrowings which have fallen during the period by over £4 million.

After the losses of the previous two years and the need to re-invest in the infrastructure of the business going forward, the Board has decided not to recommend a dividend for the 1999/2000 financial year.

OPERATIONS

I reported Michael Kent's appointment as Managing Director in October 1999 in my review last year and I am delighted to say that he has continued the strong leadership, enthusiasm and decisiveness, which he demonstrated initially. Our packing centres continue to improve in efficiency and we remain determined to strive to reduce our costs further.

Inevitably, the multitude of tasks involved in heading up both operations and sales have meant that some areas of the business have not been given as much attention as Michael Kent would wish. This has applied to our Farms which we strongly believe would benefit from additional senior management expertise. As part of the strategy to correct this, and to secure our long term supply of eggs, we have taken over the operations of the Horizon laying units through a rental agreement with Clifford Kent Limited. This arrangement was overwhelmingly approved by members at an extraordinary general meeting in March 2001, which was needed due to Michael Kent's connected status as a director of Stonegate Farmers and his controlling interest in Clifford Kent Limited.

The acquisition of the 600,000 laying birds from Horizon brings Stonegate's total flock to over 2 million birds. A new wholly owned subsidiary, Stonegate Horizon Limited, has been formed which will operate the Horizon laying facilities and at the earliest opportunity will acquire the remaining farms from Stonegate Farmers Limited. The Managing Director of the new subsidiary is Nick Rogers, the previous Managing Director of Clifford Kent Limited, who will represent that company on the main Board of Stonegate Farmers Limited.

We have ended the joint venture, Stonegate Winchester Limited, with Humphrey Farms Limited. Despite lengthy negotiations on potential new arrangements, we could not reach agreement and so it ceased on 30th June 2000. They are now a competitor.

The liquid egg processing plant at Bramley, has made another positive contribution to the Group's results. Mike Baldwin, the General Manager, was confirmed as the Managing Director of that business and was invited to represent it on the main Board in December 2000. I mentioned last year that the Board decided to close the added value business of Stonegate Foods. This was completed at the end of March 2000 and the assets disposed of where possible. As well as stemming the losses of that business, there has been a significant benefit to the liquid business by allowing the Bramley management team to concentrate on the efficiency of the liquid side.

During the year, a thorough review of all operating units has taken place together with supporting administrative functions. This has led to a restructuring with a significant level of redundancy costs emanating therefrom, but it will provide the basis for major savings in the future. As this cost is substantial, in excess of £630,000, it has been shown on the face of the profit and loss account.

SALES AND MARKETING

The sustained programme of advertising by the British Egg Industry Council (BEIC) continues to reverse the trend of falling egg consumption. Although overall consumption has steadied, we have seen a rise in sales of Lion Quality eggs which are the subject of the advertising. Stonegate is a key supporter of Lion Eggs and is therefore well placed to take advantage of this growth.

CHAIRMAN'S REVIEW (contd)

The "Chicken Run" brand has been very successful in promoting the Stonegate name and in underlying our reputation for brand marketing with our principal multiple customers. We continue to seek better and more innovative ways to market our eggs and have been successful in introducing new egg types such as Quail eggs and certain new breeds.

DIRECTORS AND STAFF

Probably the most significant changes over the last year have been in directors and staff. Our Board has changed substantially with some long established members leaving and some fresh faces joining. We have said goodbye to both David Humphrey and Paul Gourmand, our Non-executive Directors and to Bruce Hayter, our Company Secretary and Executive Director. We thank them all for their significant contributions to Stonegate over the years and wish them well for the future.

The new faces have already been mentioned, being Mike Baldwin representing liquid processing and Nick Rogers representing our Farms. The new Board structure allows a better division of responsibility and accountability and I am sure that you will join me in wishing them success in their new roles.

After more than 40 years in the business, I have taken the first steps towards retirement by reducing to a more non-executive role principally dealing with industry matters in the capacity of Chairman of the BEIC. Nick Redman has taken on the role of Company Secretary as well as his position of Finance Director.

Our staff have responded extremely well to the enormous changes that have taken place and we believe that we have built an excellent team that is willing and able to respond to the challenges that face today's businesses. The Directors join me in thanking them for their dedication and commitment.

FUTURE PROSPECTS

Our confidence in the future is underlined by the significant investment that the Company has made in acquiring two new grading machines with technology ahead of all in the UK. The first of these has recently been successfully installed at the Lacock packing centre and together with improvements to the centre itself has given us the most up-to-date facility in the country. As well as providing top quality products for our customers through modern automation, it also improves our efficiency and therefore reduces our cost base and improves our competitiveness. The second machine will be installed later this year giving Stonegate the leading egg packing facilities in the UK. This investment in the packing business is approximately £2 million.

As predicted in my review last year, the over-supply situation did ease during last year which assisted in pushing up wholesale market prices. This has, however, been relatively short-lived and chick-placings across Europe indicate that we are entering a further period of over supply and weakening prices. Unfortunately, the firming of wholesale prices was too short-lived to make a significant impact on price improvements in the retail market and we are again experiencing downward pressure from that sector of our customer base. We are disappointed with the Competition Commission review of multiple retailer practices. We continue to hope that these customers will realise that their suppliers need to make a return in order to invest for the future, which in the long term will be to the benefit of both parties. We will continue to lobby at the highest level.

Stonegate is better placed than the last time that there was a weakening wholesale market. We, therefore, continue to be optimistic about the future and I confidently expect to be able to report a further year of profitability in my next year's review.

ANDREW PARKER
CHAIRMAN OF THE BOARD

REPORT OF THE DIRECTORS

The Directors submit their thirty-eighth annual report and financial statements for the 52 weeks ended 30 September 2000.

Results and Dividend

The profit for the period after taxation, attributable to shareholders, was £594,249 (1999: Loss of £895,201). No dividends have been paid or proposed for the period (1999: £nil).

The state of affairs of the Group is shown on page 9.

Principal Activities and Business Review

The principal activity of the Group is the production, packing and marketing of eggs and egg products. A review of the business is contained within the Chairman's Review on pages 2 and 3.

Future Developments

The continuation of investment in product innovation and development as well as seeking to improve the quality and consistency of existing lines are seen as important and ongoing features of all the Group's operations.

Directors

The Directors listed on page 1 served in office throughout the period except M J Baldwin who was appointed on 8 December 2000 and N I Rogers who was appointed on 29 March 2001. In addition, Mr M Vellino was a director during the period until he ceased to hold office on 11 October 1999; Mr G Muir, Mr D Humphrey, Mr P Gourmand and Mr B Hayter were also directors until their resignations on 16 November 1999, 30 June 2000, 30 November 2000 and 15 December 2000 respectively.

The Director retiring by rotation is Mr N Redman who, being eligible, offers himself for re-election. Messrs M J Baldwin and N I Rogers, having been appointed since the last Annual General Meeting, also retire, and being eligible, offer themselves for re-election.

Directors' Share Interests

The share interests of directors in office at the end of the year, including their families where applicable, were as follows:-

	Beneficial Ordinary Shares		Indirect Ordinary Shares	
	30.09.00	03.10.99	30.09.00	03.10.99
A J Parker	115,000	155,000	-	-
M R J Kent	-	-	770,543	54,656
B N F Hayter	20,534	22,783	-	-
N J Redman	9,000	20,912	-	-

The indirect interest of Mr M R J Kent arises through his position as trustee of the Clifford Kent Pension Scheme and controlling interests in Clifford Kent Limited and Horizon Kent Limited, the beneficial holders of the shares. No rights to subscribe for shares were granted or exercised by any directors during the year.

Employees

The Directors recognise that the future success of the business is highly dependent upon the loyalty, skills and motivation of the Group's employees and, therefore, encourage the supply of information on the progress of their business unit and the Group as a whole.

Employee participation in improving the efficiency of the business is actively sought at all levels through regular meetings.

The Group recognises its responsibility to give full and fair consideration to applications for employment by disabled persons having regard to their particular aptitudes and abilities as well as ensuring that any person becoming disabled whilst employed is provided with, as far as is practicable, equal opportunities for training and career developments.

Company Status

The Holding Company is advised that it is a close company within the provisions of the Income and Corporation Taxes Act 1988.

Auditors

HLB Kidsons have agreed to offer themselves for re-appointment as auditors of the Company and a resolution will be put to the Annual General Meeting proposing them as auditors under Section 384 (1) of the Companies Act 1985.

Statement of Directors' Responsibilities

The Directors are required under company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements they are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group or the Company will continue in business.

They are also responsible for:

- keeping proper accounting records;
- safeguarding the Group's and the Company's assets;
- taking reasonable steps for the prevention and detection of fraud.

By Order of the Board

N J Redman
Secretary

Registered Office
15 North Street
Hailsham
East Sussex
BN27 1DH

4th April 2001

STONEGATE FARMERS LIMITED & Subsidiary Companies

Report of the Auditors to the members of

Stonegate Farmers Limited

We have audited the financial statements on pages 7 to 25 which have been prepared under the accounting policies set out in Note 1 on pages 11 and 12.

Respective responsibilities of directors and auditors

As described on page 5, 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 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 error or other irregularity. 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 at 30 September 2000 and of the profit of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

HLB Kidsons
HLB Kidsons
Registered Auditors
Chartered Accountants

4 April 2001
Hove

STONEGATE FARMERS LIMITED & Subsidiary Companies

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the 52 weeks ended 30 September 2000

	Notes	2000		1999
TURNOVER		£	£	£
Group companies including joint ventures				
Continuing operations		66,910,829		73,122,721
Discontinued operations		388,877		1,747,910
			67,299,706	74,870,631
Less: Joint Ventures			-	
	2		67,299,706	74,870,631
Net operating expenses	3		(65,467,259)	(75,066,867)
Operating profit/(loss)				
Continuing operations		1,878,616		326,607
Discontinued operations		(46,169)		(522,843)
	5		1,832,447	(196,236)
Share of operating profits/(losses) of joint venture			53,621	(1,611)
Total operating profit/(loss)			1,886,068	(197,847)
Profit/(loss) on disposal of fixed assets:				
Group companies - continuing operations		(2,220)		32,451
Discontinued operations		24,452		-
		22,232		32,451
Joint Ventures		-		-
			22,232	32,451
Profit on disposal of investments			36,432	-
Exceptional items – Continuing Operations	6		(631,667)	-
Profit/(loss) on ordinary activities before interest and taxation			1,313,065	(165,396)
Net interest payable				
Group companies	7		(608,916)	(721,422)
Joint ventures			-	(8,325)
			(608,916)	(729,747)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			704,149	(895,143)
Taxation	8		(109,900)	(58)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION			594,249	(895,201)
Dividends	9		-	-
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL PERIOD	19		594,249	(895,201)

The notes on pages 11 to 25 form part of these financial statements.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the 52 weeks ended 30 September 2000

Profit/(loss) for the financial period (excluding joint ventures)	540,628	(885,265)
Profit/(losses) attributable to joint ventures	53,621	(9,936)
Unrealised surplus on revaluation of property	-	421,155
Total recognised gains and losses relating to the period	594,249	(474,046)

STATEMENT OF HISTORICAL PROFITS AND LOSSES

There is no material difference between profits and losses as disclosed in the profit and loss account and those on a historical cost basis.

STONEGATE FARMERS LIMITED & Subsidiary Companies

BALANCE SHEETS

At 30 September 2000

	Notes	GROUP 2000 £	GROUP 1999 £	COMPANY 2000 £	COMPANY 1999 £
FIXED ASSETS					
Tangible assets	10	11,812,323	12,984,347	7,492,234	8,250,633
Investments	11				
Investments in joint ventures:					
Share of gross assets		-	960,532		
Share of gross liabilities		-	(489,405)		
		-	471,127	-	269,749
Investments in subsidiaries		-	-	1,039,763	1,039,763
Other		6,069	6,069	6,069	6,069
		6,069	477,196	1,045,832	1,315,581
		11,818,392	13,461,543	8,538,066	9,566,214
CURRENT ASSETS					
Stocks	12	2,851,078	3,124,730	2,710,388	2,902,040
Debtors	13	4,055,860	5,375,287	6,265,560	8,002,269
Cash at bank and in hand		1,841,047	26,296	1,389,499	11,216
		8,747,985	8,526,313	10,365,447	10,915,525
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(8,207,690)	(9,353,073)	(7,827,142)	(8,192,752)
NET CURRENT ASSETS/ (LIABILITIES)		540,295	(826,760)	2,538,305	2,722,773
TOTAL ASSETS LESS CURRENT LIABILITIES		12,358,687	12,634,783	11,076,371	12,288,987
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	(3,621,861)	(4,492,206)	(3,136,355)	(3,945,209)
NET ASSETS		8,736,826	8,142,577	7,940,016	8,343,778
CAPITAL AND RESERVES					
Called up share capital	18	2,000,000	2,000,000	2,000,000	2,000,000
Reserves	19	6,736,826	6,142,577	5,940,016	6,343,778
EQUITY SHAREHOLDERS' FUNDS	20	8,736,826	8,142,577	7,940,016	8,343,778

The financial statements were approved by the Board of Directors on 4th April 2001.

A J Parker
M R J Kent } DIRECTORS

The notes on pages 11 to 25 form part of these financial statements.

STONEGATE FARMERS LIMITED & Subsidiary Companies

CONSOLIDATED CASH FLOW STATEMENT

For the 52 weeks ended 30 September 2000

	2000		1999	
	£	£	£	£
Net cash inflow from operating activities		4,392,348		1,231,580
Dividend received from associated company		255,000		-
Returns on investments and servicing of finance				
Interest paid	(440,045)		(521,242)	
Interest received	88		-	
Finance lease and hire purchase interest paid	(168,959)		(200,180)	
		(608,916)		(721,422)
Taxation				
Corporation tax received/(paid)		18,735		(58)
Capital expenditure and financial investment				
Purchase of:				
Tangible fixed assets	(243,416)		(86,515)	
Disposals of:				
Tangible fixed assets	156,151		60,673	
		(87,265)		(25,842)
Acquisitions and disposals				
Disposal of investment in joint venture		306,180		-
Equity dividends paid		-		-
Cash inflow before financing		4,276,082		484,258
Financing				
Capital element of finance lease rentals	(362,973)		(431,162)	
Bank loans repaid	(550,000)		(550,000)	
		(912,973)		(981,162)
Increase/(decrease) in cash		3,363,109		(496,904)

Further details are given in note 21 on pages 21 and 22.

NOTES ON FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Basis of accounting

The Group accounts are prepared in accordance with applicable United Kingdom Accounting Standards. A summary of the more important Group accounting policies, which have been applied consistently, is shown below. The Group accounts are prepared using the historical cost convention modified by the revaluation of certain fixed assets.

Accounting periods

The Group prepares financial statements to the end of a week, thus the annual accounting periods are generally for 52 weeks and periodically for 53 weeks.

Group accounts and joint ventures

Group accounts are presented which incorporate the accounts of the Company and its Subsidiaries. No separate profit and loss account is presented for the Company, as permitted by Section 230 of the Companies Act 1985.

Companies in which there is an investment comprising a long-term interest in the voting capital and with whom there is a contractual arrangement are defined as joint ventures under Financial Reporting Standard No. 9. The comparative figures within these financial statements include the appropriate share of such companies' results and retained reserves based on audited accounts to 02 October 1999. At 30 September 2000, there were no such investments.

Profits and losses of companies entering or leaving the Group are included from the date of acquisition or up to the date of disposal. The net assets of subsidiaries acquired are included on the basis of their fair value at the date of acquisition.

Goodwill arising on consolidation is respect of periods up to 30 September 1999 has been written off against retained reserves in the year in which it arose. Goodwill arising in respect of future acquisitions will be capitalised and written off over its anticipated useful economic life.

Turnover

Turnover represents the amounts receivable for Group external sales in respect of goods and services supplied to customers excluding Value Added Tax.

Depreciation

Depreciation is provided on fixed assets when brought into use to write off the cost of each asset over its expected useful life on a straight line basis at the following rates:

Freehold buildings	-	2%
Leasehold property	-	Over remaining period of lease
Plant and equipment	-	2% to 33 $^{1}/3$%
Motor vehicles	-	20% to 50%

Freehold land is not depreciated.

1 ACCOUNTING POLICIES (contd.)

Government grants

Grants relating to the purchase of tangible fixed assets are treated as follows:-

a. In respect of assets where no depreciation is provided, as a deduction from cost.

b. In respect of assets subject to annual depreciation, as a credit to a deferred credit account which is subsequently released to revenue by annual instalments over the identical period over which the assets are depreciated.

Leasing

Assets held under finance leases which give rights approximating to ownership are capitalised and the equivalent obligation recognised as a liability. Leasing payments are apportioned between finance charges and capital repayments. Depreciation is charged so as to write off the capitalised cost over the estimated useful lives of the assets.

Expenditure on operating leases is charged to the profit and loss account as incurred.

Income in respect of operating leases is credited to the profit and loss account when receivable.

Stocks

Eggs, egg products and packaging stocks are valued at the lower of cost and net realisable value including an appropriate element of overhead expenditure. Livestock is included at cost or a depreciated value having regard to its age at the balance sheet date.

Deferred taxation

Deferred taxation is provided on the liability method to provide for known liabilities arising from all material timing differences where the liabilities are expected to crystallise in the foreseeable future.

Pensions

The cost of providing retirement pensions under the Defined Benefit Scheme is charged to the Profit and Loss Account over the periods benefiting from the employees' services. Variations from regular costs arising from periodic actuarial valuations are allocated to operating profit over the expected remaining service lives of current employees on the basis of a constant percentage of current and estimated future earnings.

The contributions under the Defined Contribution Scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

The difference between the charge to the Profit and Loss Account and the contributions paid to the Schemes is shown in the Balance Sheet either as an asset or as a provision for a liability.

NOTES ON FINANCIAL STATEMENTS

2 GROUP ACTIVITY

The Group operates in one principal area of activity.

The analysis of turnover by geographical area is as follows:-	2000	1999
	£	£
- United Kingdom	67,284,379	74,337,214
- Europe	15,327	533,417
	67,299,706	74,870,631

All turnover of the joint venture is with Stonegate Farmers Limited.

3 NET OPERATING EXPENSES

Movement in stocks	273,652	219,115
Other operating income	(181,642)	(138,034)
Purchases	48,166,475	54,595,136
Staff costs (Note 4)	8,237,884	8,929,321
Depreciation	1,303,121	1,776,503
Other operating charges	7,995,341	10,127,955
Recoupment of Group costs	(327,572)	(443,129)
	65,467,259	75,066,867
Net operating expenses attributable to discontinued activities	435,046	2,270,753

4 DIRECTORS AND EMPLOYEES

Group staff costs including directors' emoluments were:

Wages and salaries	7,543,850	8,056,188
Social security costs	576,284	682,414
Other pension costs	117,750	190,719
	8,237,884	8,929,321
The average number of persons employed by the Group in the year was as follows:	No.	No.
Management and administration	84	109
Production, packing and marketing	386	427
	470	536
	£	£
Parent company directors:		
Emoluments (including pension contributions)		
As directors	21,150	26,524
As executives	517,213	544,186
Aggregate value of pension contributions	33,687	60,078
Emoluments (excluding pension contributions)		
Highest paid director	177,226	133,413
Pension cost attributable to the highest paid director	-	19,138

Remuneration, included above, in respect of the services of Mr D M Humphrey was paid to S J D Humphrey Holdings Limited and for Mr P R Gourmand to Pineasti Limited. Part of the remuneration in respect of M R J Kent was paid to Clifford Kent Limited.

The aggregate value of payments to a director as compensation for loss of office amounted to £262,000.

5 OPERATING PROFIT/(LOSS)

		2000	1999
This is stated after charging:		£	£
Auditors' remuneration:			
Audit		31,800	34,075
Non-audit services		22,011	8,005
Operating lease rentals	- land and buildings	747,432	852,669
	- plant and equipment	480,722	740,853
and after crediting:			
Grant amortisation		18,798	18,436

6 EXCEPTIONAL ITEMS

The exceptional items comprise redundancy costs arising from a fundamental re-organisation of the business.

7 NET INTEREST PAYABLE

Bank overdraft	168,537	209,170
Finance lease and hire purchase interest	168,959	200,180
Bank loans repayable by instalments partly after 5 years	271,508	312,072
Interest receivable	(88)	-
	608,916	721,422

8 TAXATION

UK Corporation Tax at 30% (1999: 30.5%)		
Investing Group	109,900	58
Joint ventures	-	-
	109,900	58

9 DIVIDENDS

Equity dividends on ordinary shares:	-	-

10 FIXED ASSETS

Group	Freehold Land and Buildings £	Plant and Equipment £	Motor Vehicles £	Total
Cost or valuation				
At 03.10.99	7,342,422	16,333,124	2,393,700	26,069,246
Additions	57,614	164,297	43,105	265,016
Disposals	(339,363)	(587,035)	(466,196)	(1,392,594)
At 30.09.00	7,060,673	15,910,386	1,970,609	24,941,668
Depreciation				
At 03.10.99	1,677,868	9,449,393	1,957,638	13,084,899
Disposals	(339,363)	(511,637)	(407,675)	(1,258,675)
Charge for the period	138,806	964,599	199,716	1,303,121
At 30.09.00	1,477,311	9,902,355	1,749,679	13,129,345
Net book value at 30.09.00	5,583,362	6,008,031	220,930	11,812,323
Net book value at 02.10.99	5,664,554	6,883,731	436,062	12,984,347

Finance Leases

Net book value of assets held under finance leases included above	-	1,522,610	185,823	1,708,433
Depreciation charged in the period in respect of the above	-	244,438	183,011	427,449

10 FIXED ASSETS (contd.)

Holding Company	Freehold Land and Buildings	Plant and Equipment	Motor Vehicles	Total
	£	£	£	£
Cost or valuation				
At 03.10.99	4,074,292	12,812,267	2,370,705	19,257,264
Additions	57,614	158,948	38,005	254,567
Disposals	-	(48,680)	(466,196)	(514,876)
At 30.09.00	4,131,906	12,922,535	1,942,514	18,996,955
Depreciation				
At 03.10.99	955,167	8,114,940	1,936,524	11,006,631
Disposals	-	(26,175)	(407,675)	(433,850)
Charge for the period	84,298	650,446	197,196	931,940
At 30.09.00	1,039,465	8,739,211	1,726,045	11,504,721
Net book value at 30.09.00	3,092,441	4,183,324	216,469	7,492,234
Net book value at 02.10.99	3,119,125	4,697,327	434,181	8,250,633

Finance Leases

Net book value of assets held under finance leases included above	-	360,830	185,823	546,653
Depreciation charged in the period in respect of the above	-	109,344	183,011	292,355

At 02 October 1999, the directors revalued a property on an open market basis, giving rise to an uplift in the value of that property by £421,155. The historical cost of the revalued property was £178,845. The transitional provisions of FRS15 have been followed and the valuation has not been updated.

11 UNLISTED INVESTMENTS

Group	Total	Joint ventures	Other
	£	£	£
Cost	275,818	269,749	6,069
Share of post acquisition reserves	201,378	201,378	-
Net book value at 03.10.99	477,196	471,127	6,069
Disposals	(524,748)	(524,748)	-
Share of profit after tax for the period	53,621	53,621	-
Net book value at 30.09.00	6,069	-	6,069

Holding Company	Total	Subsidiary Undertakings	Joint ventures	Other
	£	£	£	£
Cost at 03.10.99	5,373,390	5,097,572	269,749	6,069
Provisions	(4,057,809)	(4,057,809)	-	-
Disposals	(269,749)	-	(269,749)	-
Net book value at 30.09.00	1,045,832	1,039,763	-	6,069

The principal trading subsidiaries are as follows:-

	Country of incorporation	Class of share	Proportion held	Nature of Business
Stonegate Food Ingredients Limited	England	Ordinary	100%	Manufacture of egg products
New Dawn Group Limited	England	Ordinary	100%	Rental of poultry houses

The other subsidiary companies with the exception of Stonegate Foods Limited, which are all wholly owned, did not trade during the year, but their net assets have been consolidated in the Group Balance Sheet. Stonegate Foods Limited ceased trading in March 2000 and its results have been shown in the profit and loss account as discontinued operations. It remains a wholly owned non-trading subsidiary. The turnover of Stonegate Foods Limited in the year was £388,877 and at the balance sheet date the company had net liabilities of £985,306.

11 UNLISTED INVESTMENTS (contd.)

Joint Ventures

The shareholding in the joint venture company, Stonegate Winchester Limited was disposed of on 30 June 2000.

12 STOCKS

	Group		Holding Company	
	2000	**1999**	**2000**	**1999**
	£	**£**	**£**	**£**
Eggs, egg products and packaging	757,112	767,563	616,423	544,873
Livestock and feed	2,093,966	2,357,167	2,093,965	2,357,167
	2,851,078	3,124,730	2,710,388	2,902,040

13 DEBTORS

AMOUNTS DUE WITHIN ONE YEAR

Trade debtors	3,100,560	4,194,011	2,048,783	3,257,734
Amounts due from: Subsidiary undertakings	-	-	804,679	764,432
Other debtors	540,133	614,176	520,675	479,977
Prepayments	318,902	452,100	295,158	385,126
ACT recoverable	96,265	115,000	96,265	115,000
	4,055,860	5,375,287	3,765,560	5,002,269

AMOUNTS DUE AFTER ONE YEAR

Amounts due from: Subsidiary undertakings	-	-	2,500,000	3,000,000
Total Debtors	4,055,860	5,375,287	6,265,560	8,002,269

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Holding Company	
	2000	1999	2000	1999
	£	£	£	£
Bank overdrafts	-	1,548,358	15,314	963,839
Bank loans (Note 15)	550,000	550,000	550,000	550,000
Amounts owing to:				
Subsidiary undertakings	-	-	259,267	197,221
Joint ventures	-	176,975	-	176,975
Trade creditors	5,760,944	5,237,174	5,458,172	4,702,899
Corporation tax	109,900	-	-	-
Other taxes and social security costs	164,708	249,065	143,459	210,235
Other creditors	742,744	932,745	721,425	881,343
Accruals and deferred income	511,027	250,563	437,847	207,591
Amounts due under finance leases and hire purchase (Note 16)	368,367	408,193	241,658	302,649
	8,207,690	9,353,073	7,827,142	8,192,752

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Bank loans (Note 16)	2,050,000	2,600,000	2,050,000	2,600,000
Amounts due to subsidiary undertakings	-	-	595,839	595,838
Accruals and deferred income	113,004	131,802	113,004	131,802
Amounts due under finance leases and hire purchase (Note 16)	1,458,857	1,760,404	377,512	617,569
	3,621,861	4,492,206	3,136,355	3,945,209

16 DEBT MATURITY

Bank loans

Repayable in annual instalments at fixed interest rates.

Repayable within one year	550,000	550,000	550,000	550,000
Repayable between 1 and 2 years	550,000	550,000	550,000	550,000
Repayable between 2 and 5 years	1,300,000	1,650,000	1,300,000	1,650,000
Repayable over 5 years	200,000	400,000	200,000	400,000
	2,600,000	3,150,000	2,600,000	3,150,000

HSBC Bank Plc holds legal mortgages dated 15 February 1994 on properties, and debentures dated 04 February 1994 containing fixed and floating charges on certain assets of the company.

16 DEBT MATURITY (contd.)

Amounts due under finance leases and hire purchase contracts

	Group		Holding Company	
	2000	**1999**	**2000**	**1999**
	£	**£**	**£**	**£**
Repayable within one year	368,367	408,193	241,658	302,649
Repayable between 2 - 5 years	991,161	1,093,481	377,512	566,150
Repayable after 5 years	467,696	666,923	-	51,419
	1,827,224	2,168,597	619,170	920,218

Aggregate borrowings for the group repayable after five years from the balance sheet date amount to £667,696 (1999: £1,066,923).

17 DEFERRED TAXATION

No provision is made for deferred taxation in 2000 (1999 £Nil).
The full potential liability at 30% would be as follows:

Accelerated capital allowances	1,133,244	1,086,918	910,036	911,164
Losses	(279,307)	(468,632)	(279,307)	(468,632)
	853,937	618,286	630,729	442,532

In the opinion of the Directors these liabilities will not become payable in the foreseeable future.

18 SHARE CAPITAL

	Holding Company	
	£	**£**
Authorised: 3,000,000 ordinary shares of £1 each	3,000,000	3,000,000
Allotted, issued and fully paid: 2,000,000 ordinary shares of £1 each	2,000,000	2,000,000

19 RESERVES

	Group			Holding Company		
	Total	Profit and loss account	Revaluation reserve	Total	Profit and loss account	Revaluation reserve
	£	£	£	£	£	£
At 03.10.99	6,142,577	5,721,422	421,155	6,343,778	5,922,623	421,155
Retained profit for the period	594,249	594,249	-	(403,762)	(403,762)	-
At 30.09.00	6,736,826	6,315,671	421,155	5,940,016	5,518,861	421,155

Cumulative goodwill written off at the balance sheet date was £2,247,440.

20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000	1999
	£	£
Total recognised gains and losses for the financial period	594,249	(474,046)
Net subtraction from shareholders' funds	594,249	(474,046)
Opening shareholders' funds	8,142,577	8,616,623
Closing shareholders' funds	8,736,826	8,142,577

21 NOTES TO THE CASH FLOW STATEMENT

Reconciliation of operating profit to net cash inflow from operating activities

	£	£
Operating profit/(loss)	1,832,447	(196,236)
Exceptional items	(631,667)	-
Depreciation charges	1,303,121	1,776,503
Decrease in stocks	273,652	219,115
Decrease in debtors	1,300,692	687,934
Decrease/(increase) in creditors	314,103	(1,255,736)
	4,392,348	1,231,580

21 NOTES TO THE CASH FLOW STATEMENT (contd.)

	2000 £	1999 £
Reconciliation of net cash flows to movement in net debt		
Increase/(decrease) in cash	3,363,107	(496,904)
Cash outflow from decrease in debt and lease financing	912,973	981,162
Changes in net debt resulting from cash flow	4,276,080	484,258
New finance leases	(21,600)	(455,891)
Movement in net debt in the period	4,254,480	28,367
Net debt at 03.10.99	(6,840,659)	(6,869,026)
Net debt at 30.09.00	(2,586,179)	(6,840,659)

Analysis of net debt

	At 03.10.99 £	Cash flow £	Non cash changes £	At 30.09.00 £
Net cash:				
Cash at bank and in hand	26,296	1,814,751		1,841,047
Bank overdraft	(1,548,358)	1,548,358		-
		3,363,109		
Debt:				
Finance leases	(2,168,597)	362,973	(21,600)	(1,827,224)
Bank loans	(3,150,000)	550,000	-	(2,600,000)
Net debt	(6,840,659)	4,276,082	(21,600)	(2,586,177)

Analysed in the balance sheet as follows:

	£	£
Cash at bank and in hand	26,296	1,841,047
Bank overdraft	(1,548,358)	-
Finance leases due:		
Within one year	(408,193)	(368,367)
After one year	(1,760,404)	(1,458,857)
Bank loans due:		
Within one year	(550,000)	(550,000)
After one year	(2,600,000)	(2,050,000)
	(6,840,659)	(2,586,177)

Major non-cash transactions
During the year, the Group entered into finance lease arrangements in respect of tangible fixed assets with a capital value at the inception of the leases of £21,600 (1999: £455,891).

22 FINANCIAL COMMITMENTS

	Group		Holding Company	
	2000	1999	2000	1999
Capital Commitments	£	£	£	£
Capital expenditure contracted for	170,000	nil	170,000	nil

22 FINANCIAL COMMITMENTS (contd.)

Operating Lease Commitments
At the balance sheet date, the Group and holding company had entered into operating leases of which the annual rental commitments are as follows:

	2000			
	Land and Buildings		Plant and Equipment	
	Group	Holding Company	Group	Holding Company
For leases expiring:	£	£	£	£
Within one year	-	-	27,362	18,912
Between 2 and 5 years	27,538	27,538	280,501	237,524
After 5 years	519,920	519,920	236,586	201,814
	547,458	547,458	544,449	458,250

	1999			
	Land and Buildings		Plant and Equipment	
	Group	Holding Company	Group	Holding Company
For leases expiring:	£	£	£	£
Within one year	115,755	107,926	65,956	28,862
Between 2 and 5 years	200,000	200,000	381,641	306,668
After 5 years	236,611	235,611	215,980	173,159
	552,366	544,537	663,577	508,689

23 PENSION SCHEMES

Defined Benefit Scheme

The Group operates a defined benefit pension scheme for executive employees providing benefits based on final pensionable salary. The assets of the scheme are invested with two insurance companies and an asset management company and are held separately from those of the Group. The scheme has been closed to new employees.

The charge for the period was £84,535 (1999: £144,617).

The contributions are determined by a qualified actuary on the basis of triennial valuations using the 'Attained Age' method. The most significant assumption was that the investment return would exceed salary increases by 2%.

The last actuarial valuation was made on 1 October 2000 when the actuarial value of the scheme assets was £1,497,000 and the actuarial value of past service liabilities was £1,780,000 which represented the benefits that had accrued to members after planning for expected future increases in earnings and increases in pensions in payment, giving a funding level of 84%.

23 PENSION SCHEMES (contd.)

The actuarial valuation also includes an assessment of the Minimum Funding Requirement which at the valuation date, indicates a funding level of 69%. In order to address the deficiency arising an adjustment will be made to future contributions in order to restore the funding level to 100% by 6 April 2007.

Four directors qualified for benefits. The highest paid director did not participate in the scheme.

Defined Contribution Schemes

The Group operates a defined contribution scheme in respect of which the assets are held separately from those of the Group in an independently administered fund. The pension cost charge amounted to £29,327 (1999: £39,951). The Group also makes contributions to a number of personal pension schemes. The cost in the year was £3,888 (1999: £6,151).

24 CONTINGENT LIABILITIES

At the balance sheet date there were holding company contingent liabilities in respect of guarantees and indemnities to providers of finance to subsidiary and associated companies amounting to £1,122,514 (1999: £2,268,354).

In addition the holding company has provided a number of guarantees to the suppliers of Stonegate Food Ingredients Limited in respect of trade balances which at the balance sheet date amounted to £10,027 (1999: £18,383).

Capital based grants have been received by the Company from the Ministry of Agriculture, Fisheries and Food and the European Agricultural Guidance and Guarantee Fund. The unamortised amount at 30 September 2000 was £131,771 and is included in accruals and deferred income. There is a contingent liability to repay such grants in the event of breaches of the continuing conditions of the grants.

25 RELATED PARTY TRANSACTIONS

During the year, Group companies sold goods to and purchased goods from joint ventures for £1,216,036 (1999: £74,768) and £8,119, 845 (1999: £12,502,502) respectively on normal commercial terms.

In addition, the Group recharged £327,572 (1999: £443,129) to its joint venture in respect of administrative costs incurred on their behalf.

Group companies purchased goods with a value of £1,507,593 (1999: £145,284) from Humphrey Farms Limited (formerly SJD Humphrey Holdings Limited) which is a company owning more than 20% of the voting rights in Stonegate Farmers Limited and is, therefore, presumed to be a related party. Transactions were carried out on a normal commercial basis. At the balance sheet date, the amount owing by Group companies to Humphrey Farms Limited was £274,493 (1999: £44,740).

Group companies undertook the following transactions during the period with a company of which a director,
Mr M R J Kent, is a controlling shareholder and is therefore presumed to be a related party:

25. RELATED PARTY TRANSACTIONS (contd.)

	2000		1999	
	Purchases and rent	Sales to	Purchases and rent	Sales to
	£	£	£	£
Clifford Kent Limited	5,111,503	636,556	3,626,482	
Horizon Kent Limited	-	-	282,138	-

Balances owing to and from the above companies by the group at the year end were:

	2000		1999	
	Owing to	Owing from	Owing to	Owing from
	£	£	£	£
Clifford Kent Limited	307,036	53,253	35,519	44,645
Horizon Kent Limited	-	-	12,525	-

26 POST BALANCE SHEET EVENTS

Following ratification at an extraordinary general meeting on 13 March 2001, the Board of directors approved arrangements by a newly formed wholly owned subsidiary, Stonegate Horizon Limited, to enter into leases of laying units and milling facilities owned by Clifford Kent Limited, to contract rearing management services with that company and also to acquire fixed assets and livestock. The arrangements commenced with effect from 1 April 2001.