



STONEGATE FARMERS LIMITED

1999



REPORT AND FINANCIAL
STATEMENTS FOR THE
52 WEEKS ENDED
2ND OCTOBER 1999

REGISTERED NO: 740635



STONEGATE FARMERS LIMITED

FINANCIAL STATEMENTS

For the 52 weeks ended 02 October 1999

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STONEGATE FARMERS LIMITED

COMPANY INFORMATION

DIRECTORS

A J Parker (Chairman)
D M Humphrey (Non executive)
M R J Kent, BA (Hons)., (Managing)
B N F Hayter, BA (Hons)., Solicitor
P R Gourmand (Non executive)
N J Redman, FCA

SECRETARY

B N F Hayter, BA (Hons)., Solicitor

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

Despite achieving price increases on shell egg sales in the early part of the financial year and a return to profitability at that time, the final result for the 1998/99 year was an overall loss before tax of £895,000, (£3,398,000 loss 1997/98). The continuation of the oversupply in both the UK and European market place was a major contributory factor in depressing wholesale values, which in turn placed downward pressure on sales prices to the retail sector.

FINANCE

As a result of the continuing poor returns from the weak market, we have reduced our throughputs to limit our exposure to prices at the lower end of the market and this has reduced Group turnover to £74,870,000 (1998: £85,751,000). The absence of profits has again led the Board to recommend that no dividend be paid for the 1998/99 financial year.

OPERATIONS

The appointment of Michael Kent to the Board in July 1999, firstly as Commercial Director and subsequently as Managing Director in October, has resulted in a new look at the efficiency of our farming and packing centre operations and to the whole Group. Many changes have been introduced to reduce costs and improve efficiency and I am pleased to report that our farms are now exceeding the productivity targets set by breeders for their birds. Packing centres continue to supply a high quality product on a timely basis to our customers but this is an area of cost which will need to be continually under review in order to improve profitability in the very competitive retail market.

Our liquid egg processing plant at Bramley continues to make a positive contribution to the Group results, although the weak shell egg market also put downward pressure on liquid prices. The move of Stonegate Foods to Bramley did not prove as successful as anticipated. Significant cost savings were achieved but the volume restrictions on processing and difficulty in breaking into an established market, meant that it was not possible to achieve the critical mass necessary to deliver real profits from food products. The Board therefore decided to dispose of this operation and to concentrate the resources at Bramley on expanding the liquid egg business.

Our success in achieving Health and Safety awards has been maintained with a further two sites at Lacock and Winchester achieving 5 star status and culminating in the award of the prestigious 'Sword of Honour'. Congratulations and thanks go to all involved.

SALES AND MARKETING

I reported last year that the British Egg Industry Council (BEIC) was launching a major advertising campaign in order to address the concern over falling consumption of shell egg. The campaign, to which Stonegate is a significant contributor, was a success in reducing the rate of decline, but was insufficient to reverse the trend. We have now confirmed that a more sustained campaign is needed and I am pleased to say that this has the backing of all the major packers for the current year. The launch by the Minister for Agriculture, Nick Brown, of the Lion Quality Poster campaign and the re-introduction of the Lion stamp on the shell of the egg met with considerable media success and public recognition.

I am pleased to report that the Stonegate reputation for innovation and brand marketing continues. A number of exciting new launches are in place and we are particularly pleased to have signed a contract with Universal Studios for an exclusive egg promotion linked to a film which will be launched in the summer. "Chicken Run" as the title suggests is linked most closely with our product and the filmmakers Aardman Studios of Wallace and Gromit fame need little introduction for a flavour of the family appeal envisaged.

Our Marketing & Sales Director, Graham Muir, who was instrumental in the launch of products, such as Weekender, Salad Time and Handy Pack, has decided to move on to new challenges. He leaves behind a legacy of branded products on which we will continue to build.

STONEGATE FARMERS LIMITED & Subsidiary Companies

CHAIRMAN'S REVIEW

DIRECTORS AND STAFF

I have already mentioned the appointment of Michael Kent to the Board in July. This has strengthened considerably the experience of the management team particularly in operational matters. Michael's knowledge, enthusiasm and energy made an immediate impact upon the company and also identified a significant number of areas where performance could be further improved and rationalisation expedited.

The volume of change in the business over the past months has been significant and has of necessity maintained a high level of pressure on our staff. The Directors are very grateful to them for responding so positively and for recognising that the business needs to be dynamic in order to compete in today's business environment.

YEAR 2000

The introduction of the new computer systems has been far from satisfactory. Our IT division has worked literally day and night in order to overcome these difficulties and as a result of comprehensive investigation and testing, a smooth transition into the new millennium was achieved throughout the business. Continued improvement in this whole IT area will be a particular priority for this year.

CORPORATE GOVERNANCE

The Board of Directors comprises four Executive and two Non-Executive Directors who meet regularly. The Board is responsible for the Group's strategy and for the performance of its operations.

We have a Remuneration Committee which comprises both Non-Executive Directors, the Chairman and Managing Director of the Group. (The Committee is responsible for determining the remuneration policy and remuneration packages in accordance with the best practice relating to remuneration committees).

FUTURE PROSPECTS

The low returns to the industry over the past few years and the now-published Brussels directive for the introduction of new cage regulations have impacted upon the investment plans of producers. This has led to a fall in the UK laying flock, which is expected to continue over this current calendar year. With the European market showing similar signs, we are expecting the over-supply situation to ease considerably in the coming months with the result that recent wholesale market price rises should continue and this will support price improvements in the retail market.


Our decision to dispose of the Stonegate Foods business has not stopped our aim to expand our product range to include added value products but circumvents the need for investment in the manufacturing facility if the production is outsourced.

We will be improving efficiency throughout the business and reduce cost wherever possible in a manner that allows the highest standards of product quality and service to our customers to be maintained. We will also be seeking from our customers the best price for the service we give them in order to provide a return to our shareholders and to enable the Company to invest for the future.

We have already seen consolidation within our industry with the merger of the Deans and Daylay businesses and it is likely that further consolidation will occur.

We therefore continue to look to the future with confidence and maintain cautious optimism that the business will now return to profitable trading. We are also confident that Stonegate through its staff and management team are very well placed to take advantage of the expected improvements in trading conditions, which are so urgently needed throughout the egg industry.

ANDREW PARKER
CHAIRMAN OF THE BOARD



STONEGATE FARMERS LIMITED & Subsidiary Companies

REPORT OF THE DIRECTORS

The Directors submit their thirty-seventh annual report and financial statements for the 52 weeks ended 02 October 1999.

Results and Dividend

The loss for the period after taxation attributable to shareholders was £895,201 (1998: Loss of £2,579,946). No dividends have been paid or proposed for the period (1998: £nil).

The state of affairs of the Group is shown on page 8.

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. The principal priority of the Group is a return to profitable trading.

Directors

The Directors listed on page 1 served in office throughout the period with the exception of Mr M R J Kent who was appointed on 19 July 1999. Mr M Vellino was a director throughout the period until he ceased to hold office on 11 October 1999. Mr G Muir was also a director throughout the period until his resignation on 16 November 1999.

The Directors retiring by rotation are Mr P Gourmand and Mr D M Humphrey who, 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	
	02.10.99	04.10.98*	02.10.99	04.10.98*
A J Parker	115,000	155,000	-	-
D M Humphrey	2,592	1,592	497,519	497,519
M Vellino	51,146	49,146	-	-
B N F Hayter	22,783	22,783	-	-
P R Gourmand	-	-	-	-
N J Redman	20,912	20,912	-	-
G D Muir	-	-	-	-
M R J Kent (appointed 19 July 1999)	-	-	54,656	54,656

* date of appointment if later.

The indirect interest of Mr D M Humphrey arises through his interest in the share capital of SJD Humphrey Holdings Limited, the beneficial holder of the shares. The indirect interest of Mr M R J Kent arises through his position as trustee of the Clifford Kent Pension Scheme, the beneficial holder of the shares.

STONEGATE FARMERS LIMITED & Subsidiary Companies

REPORT OF THE DIRECTORS

(continued)

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.

Donations

The Group made charitable donations during the year of £2,258.

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 (formerly Kidsons Impey) 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.

Registered Office
15 North Street
Hailsham
East Sussex
BN27 1DH

31 March 2000

By Order of the Board



BNF HAYTER
Secretary

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 23 which have been prepared under the accounting policies set out in Note 1 on pages 10 and 11.

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

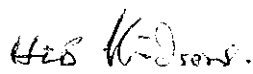
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 02 October 1999 and of the loss of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

31 March 2000
Hove


HLB Kidsons
Registered Auditors
Chartered Accountants

STONEGATE FARMERS LIMITED & Subsidiary Companies

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the 52 weeks ended 02 October 1999

	Notes	1999	1998
		£	£
TURNOVER			
Group companies including joint ventures		74,870,631	85,750,526
Less: joint ventures		-	-
Continuing operations	2	<u>74,870,631</u>	<u>85,750,526</u>
Net operating expenses	3	<u>(75,066,867)</u>	<u>(88,018,294)</u>
Operating loss			
Continuing operations	5	(196,236)	(2,267,768)
Share of operating profits less losses of joint ventures		<u>(1,611)</u>	<u>(197,427)</u>
Total operating loss		<u>(197,847)</u>	<u>(2,465,195)</u>
Profit/(loss) on disposal of fixed assets:			
Group companies		32,451	17,753
Joint ventures		-	(117,054)
		32,451	(99,301)
Profit on disposal of investments		-	3,814
Loss on ordinary activities before interest and taxation		<u>(165,396)</u>	<u>(2,560,682)</u>
Net interest payable			
Group companies	6	(721,422)	(741,533)
Joint ventures		(8,325)	(95,775)
		<u>(729,747)</u>	<u>(837,308)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(895,143)	(3,397,990)
Taxation	7	<u>(58)</u>	<u>818,044</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(895,201)	(2,579,946)
Dividends	8	-	-
RETAINED LOSS FOR THE FINANCIAL PERIOD	18	<u><u>(895,201)</u></u>	<u><u>(2,579,946)</u></u>

The notes on pages 10 to 23 form part of these financial statements.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the 52 weeks ended 02 October 1999

Loss for the financial period (excluding joint ventures)	(885,265)	(2,169,690)
Losses attributable to joint ventures	(9,936)	(410,256)
Unrealised surplus on revaluation of property	421,155	-
Total recognised gains and losses relating to the period	<u><u>(474,046)</u></u>	<u><u>(2,579,946)</u></u>

STONEGATE FARMERS LIMITED & Subsidiary Companies

BALANCE SHEETS

At 02 October 1999

		GROUP		COMPANY	
	Notes	1999	1998	1999	1998
		£	£	£	£
FIXED ASSETS					
Tangible assets	9	12,984,347	13,825,511	8,250,633	8,717,231
Investments	10				
Investments in joint ventures:					
Share of gross assets		960,532	978,421		
Share of gross liabilities		(489,405)	(497,358)		
		471,127	481,063	269,749	269,749
Investments in subsidiaries		-	-	1,039,763	1,039,763
Other		6,069	6,069	6,069	6,069
		477,196	487,132	1,315,581	1,315,581
		13,461,543	14,312,642	9,566,214	10,032,812
CURRENT ASSETS					
Stocks	11	3,124,730	3,343,845	2,902,040	3,150,802
Debtors	12	5,375,287	6,063,222	8,002,269	9,421,571
Cash at bank and in hand		26,296	13,769	11,216	12,828
		8,526,313	9,420,836	10,915,525	12,585,201
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	(9,353,073)	(10,005,503)	(8,192,752)	(9,187,099)
NET CURRENT (LIABILITIES)/ASSETS		(826,760)	(584,667)	2,722,773	3,398,102
TOTAL ASSETS LESS CURRENT LIABILITIES		12,634,783	13,727,975	12,288,987	13,430,914
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	14	(4,492,206)	(5,111,352)	(3,945,209)	(4,524,335)
NET ASSETS		8,142,577	8,616,623	8,343,778	8,906,579
CAPITAL AND RESERVES					
Called up share capital	17	2,000,000	2,000,000	2,000,000	2,000,000
Reserves	18	6,142,577	6,616,623	6,343,778	6,906,579
EQUITY SHAREHOLDERS' FUNDS	19	8,142,577	8,616,623	8,343,778	8,906,579

The financial statements were approved by the Board of Directors on 31 March 2000.

A J PARKER
N J REDMAN

} DIRECTORS

The notes on pages 10 to 23 form part of these financial statements.

STONEGATE FARMERS LIMITED & Subsidiary Companies

CONSOLIDATED CASH FLOW STATEMENT

For the 52 weeks ended 02 October 1999

	1999		1998	
	£	£	£	£
Net cash inflow from operating activities		1,231,580		2,505,900
Returns on investments and servicing of finance				
Interest paid	(521,242)		(571,700)	
Interest received	-		526	
Finance lease and hire purchase interest paid	<u>(200,180)</u>		<u>(170,359)</u>	
		(721,422)		(741,533)
Taxation				
Corporation tax paid		(58)		(16,289)
Capital expenditure and financial investment				
Purchase of:				
Tangible fixed assets	(86,515)		(1,074,702)	
Disposals of:				
Tangible fixed assets	<u>60,673</u>		<u>548,362</u>	
		(25,842)		(526,340)
Acquisitions and disposals				
Disposal of investment in joint venture	<u>-</u>		<u>18,426</u>	
		-		18,426
Equity dividends paid		-		(380,000)
Cash inflow before financing		<u>484,258</u>		<u>860,164</u>
Financing				
Capital element of finance lease rentals	(431,162)		(553,010)	
Bank loans repaid	<u>(550,000)</u>		<u>(550,000)</u>	
		(981,162)		(1,103,010)
Decrease in cash		<u><u>(496,904)</u></u>		<u><u>(242,846)</u></u>

Further details are given in note 20 on pages 20 and 21.

STONEGATE FARMERS LIMITED & Subsidiary Companies

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. These financial statements include the appropriate share of such companies' results and retained reserves based on audited accounts to 02 October 1999.

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 has been written off against retained reserves in the year in which it arose.

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 and dwelling houses are not depreciated.

Revaluation of properties

Individual freehold properties are revalued when considered appropriate by the directors. The surplus or deficit against book value is transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit is charged (or credited) to the profit and loss account.

STONEGATE FARMERS LIMITED & Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

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 shorter of the estimated useful lives of the assets or the primary period of the leases.

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.

STONEGATE FARMERS LIMITED & Subsidiary Companies

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:-

	1999	1998
	£	£
- United Kingdom	74,337,214	85,378,362
- Europe	533,417	372,164
	<u>74,870,631</u>	<u>85,750,526</u>

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

3□ NET OPERATING EXPENSES

Movement in stocks	219,115	1,001,839
Other operating income	(138,034)	(135,740)
Purchases	53,771,194	66,159,738
Staff costs (Note 4)	8,929,321	9,351,735
Depreciation	1,776,503	2,046,139
Other operating charges	10,951,897	10,229,112
Recoupment of Group costs	(443,129)	(634,529)
	<u>75,066,867</u>	<u>88,018,294</u>

4□ DIRECTORS AND EMPLOYEES

Group staff costs including directors' emoluments were:

Wages and salaries	8,056,188	8,393,712
Social security costs	682,414	782,147
Other pension costs	190,719	175,876
	<u>8,929,321</u>	<u>9,351,735</u>

The average number of persons employed by the Group in the year was as follows:

	No.	No.
Management and administration	109	105
Production, packing and marketing	427	425
	<u>536</u>	<u>530</u>
	£	£

Parent company directors:

Emoluments (including pension contributions)

As directors	26,524	27,050
As executives	544,186	547,140

Emoluments (excluding pension contributions)

Highest paid director	133,413	130,189
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Pension cost attributable to the highest paid director

	19,138	18,779
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Remuneration, included above, in respect of the services of Mr D M Humphrey is paid to S J D Humphrey Holdings Limited and for Mr P R Gourmand to Pineasti Limited.

STONEGATE FARMERS LIMITED & Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

5□ OPERATING LOSS

	1999	1998
	£	£
This is stated after charging:		
Auditors' remuneration:		
Audit	34,075	34,075
Non-audit services	8,005	78,226
Operating lease rentals		
- land and buildings	852,669	880,977
- plant and equipment	740,853	520,817
	<u>740,853</u>	<u>520,817</u>
and after crediting:		
Grant amortisation	18,436	19,156
	<u>18,436</u>	<u>19,156</u>

6□ NET INTEREST PAYABLE

Bank overdraft	209,170	203,760
Finance lease and hire purchase interest	200,180	170,359
Bank loans repayable by instalments partly after 5 years	312,072	367,940
Interest receivable	-	(526)
	<u>721,422</u>	<u>741,533</u>

7□ TAXATION

UK Corporation Tax at 30.5% (1998: 31%)		
Investing Group	58	(702,668)
Joint ventures	-	(36,868)
Over - provision in prior years	-	(40,562)
	<u>58</u>	<u>(780,098)</u>
Deferred taxation:		
Joint ventures	-	(37,946)
	<u>58</u>	<u>(818,044)</u>

8□ DIVIDENDS

Equity dividends on ordinary shares:

Interim	-	-
Proposed final	-	-
	<u>-</u>	<u>-</u>

STONEGATE FARMERS LIMITED & Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

9 □ FIXED ASSETS

Group	Total	Land and Buildings	Plant and Equipment	Motor Vehicles
	£	£	£	£
Cost or valuation				
At 04.10.98	25,327,047	6,927,489	15,926,817	2,472,741
Revaluation	414,933	414,933	-	-
Additions	542,406	-	430,779	111,627
Disposals	(215,140)	-	(24,472)	(190,668)
At 02.10.99	<u>26,069,246</u>	<u>7,342,422</u>	<u>16,333,124</u>	<u>2,393,700</u>
Depreciation				
At 04.10.98	11,501,537	1,553,057	8,072,381	1,876,099
Revaluation	(6,222)	(6,222)	-	-
Disposals	(186,919)	-	(15,783)	(171,136)
Charge for the period	<u>1,776,503</u>	<u>131,033</u>	<u>1,392,795</u>	<u>252,675</u>
At 02.10.99	<u>13,084,899</u>	<u>1,677,868</u>	<u>9,449,393</u>	<u>1,957,638</u>
Net book value at 02.10.99	<u>12,984,347</u>	<u>5,664,554</u>	<u>6,883,731</u>	<u>436,062</u>
Net book value at 03.10.98	<u>13,825,510</u>	<u>5,374,432</u>	<u>7,854,436</u>	<u>596,642</u>
Finance Leases				
Net book value of assets held under finance leases included above	<u>2,039,394</u>	<u>-</u>	<u>1,655,955</u>	<u>383,439</u>
Depreciation charged in the period in respect of the above	<u>505,389</u>	<u>-</u>	<u>298,077</u>	<u>207,312</u>

Land and Buildings are analysed as follows:

	Total	Freehold	Short leasehold
	£	£	£
Cost or valuation	7,342,422	7,003,059	339,363
Accumulated depreciation	<u>(1,677,868)</u>	<u>(1,338,505)</u>	<u>(339,363)</u>
Net book value	<u>5,664,554</u>	<u>5,664,554</u>	<u>-</u>

STONEGATE FARMERS LIMITED & Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

9 □ FIXED ASSETS (contd.)

Holding Company	Total	Freehold Land and Buildings	Plant and Equipment	Motor Vehicles
	£	£	£	£
Cost or valuation				
At 04.10.98	18,710,592	3,659,359	12,628,075	2,423,158
Revaluation	414,933	414,933	-	-
Additions	300,785	-	184,904	115,881
Disposals	(169,046)	-	(712)	(168,334)
At 02.10.99	<u>19,257,264</u>	<u>4,074,292</u>	<u>12,812,267</u>	<u>2,370,705</u>
Depreciation				
At 04.10.98	9,993,361	884,864	7,264,404	1,844,093
Revaluation	(6,222)	(6,222)	-	-
Disposals	(154,710)	-	(14)	(154,696)
Charge for the period	<u>1,174,202</u>	<u>76,525</u>	<u>850,550</u>	<u>247,127</u>
At 02.10.99	<u>11,006,631</u>	<u>955,167</u>	<u>8,114,940</u>	<u>1,936,524</u>
Net book value at 02.10.99	<u>8,250,633</u>	<u>3,119,125</u>	<u>4,697,327</u>	<u>434,181</u>
Net book value at 03.10.98	<u>8,717,231</u>	<u>2,774,495</u>	<u>5,363,671</u>	<u>579,065</u>
Finance Leases				
Net book value of assets held under finance leases included above	<u>860,563</u>	<u>-</u>	<u>477,124</u>	<u>383,439</u>
Depreciation charged in the period in respect of the above	<u>342,905</u>	<u>-</u>	<u>135,593</u>	<u>207,312</u>

At the balance sheet date, 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.

STONEGATE FARMERS LIMITED & Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

10 UNLISTED INVESTMENTS

Group	Total	Joint ventures	Other
	£	£	£
Cost	275,818	269,749	6,069
Share of post acquisition reserves	211,314	211,314	-
Net book value at 04.10.98	487,132	481,063	6,069
Share of loss after tax for the period	(9,936)	(9,936)	-
Net book value at 02.10.99	477,196	471,127	6,069

Holding Company	Total	Subsidiary Undertakings	Joint ventures	Other
	£	£	£	£
Cost at 04.10.98	5,373,390	5,097,572	269,749	6,069
Provisions	(4,057,809)	(4,057,809)	-	-
Net book value at 02.10.99	1,315,581	1,039,763	269,749	6,069

The principal trading subsidiaries are as follows:-

	Country of incorporation	Class of share	Proportion held	Nature of Business
Stonegate Foods Limited	England	Ordinary Preference	100% 100%	Manufacture of egg products
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 Breeders 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 Breeders Limited ceased trading in January 1999 when the assets and undertaking were sold. It remains a wholly owned non-trading subsidiary. The turnover of Stonegate Breeders Limited in the year was £63,534 and at the balance sheet date the company had net liabilities of £43,235.

STONEGATE FARMERS LIMITED & Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

10 UNLISTED INVESTMENTS (contd.)

Joint Ventures	Class	Proportion of class held
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Stonegate Winchester Limited	A Ordinary	100%
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The Directors estimate the value of the holding in this company is not less than the amount shown in the accounts. The holding in the joint venture represents 50% of the voting share capital of that company. The joint venture was incorporated in England and Wales, and its principal activity is the packing of eggs.

11 STOCKS

	Group		Holding Company	
	1999	1998	1999	1998
	£	£	£	£
Eggs, egg products and packaging	767,563	952,390	544,873	772,250
Livestock and feed	2,357,167	2,391,455	2,357,167	2,378,552
	<u>3,124,730</u>	<u>3,343,845</u>	<u>2,902,040</u>	<u>3,150,802</u>

12 DEBTORS

**AMOUNTS DUE
WITHIN ONE YEAR**

Trade debtors	4,194,011	5,053,532	3,257,734	3,797,685
Amounts due from:				
Subsidiary undertakings	-	-	764,432	1,875,434
Other debtors	614,176	522,862	479,977	401,371
Prepayments	452,100	371,828	385,126	232,081
ACT recoverable	115,000	115,000	115,000	115,000
	<u>5,375,287</u>	<u>6,063,222</u>	<u>5,002,269</u>	<u>6,421,571</u>

**AMOUNTS DUE
AFTER ONE YEAR**

Amounts due from:				
Subsidiary undertakings	-	-	3,000,000	3,000,000
Total Debtors	<u>5,375,287</u>	<u>6,063,222</u>	<u>8,002,269</u>	<u>9,421,571</u>

STONEGATE FARMERS LIMITED & Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

**13 CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	Group		Holding Company	
	1999	1998	1999	1998
	£	£	£	£
Bank overdrafts	1,548,358	1,038,928	963,839	665,268
Bank loans (Note 15)	550,000	550,000	550,000	550,000
Amounts owing to:				
Subsidiary undertakings	-	-	197,221	532,147
Joint ventures	176,975	414,468	176,975	414,468
Trade creditors	5,237,174	4,950,894	4,702,899	4,269,970
Other taxes and social security costs	249,065	244,582	210,235	200,940
Other creditors	932,745	2,093,037	881,343	2,034,929
Accruals and deferred income	250,563	380,841	207,591	264,878
Amounts due under finance leases and hire purchase (Note 15)	408,193	332,753	302,649	254,499
	<u>9,353,073</u>	<u>10,005,503</u>	<u>8,192,752</u>	<u>9,187,099</u>

**14 CREDITORS: AMOUNTS FALLING DUE
AFTER MORE THAN ONE YEAR**

Bank loans (Note 15)	2,600,000	3,150,000	2,600,000	3,150,000
Amounts due to subsidiary undertakings	-	-	595,838	595,838
Accruals and deferred income	131,802	150,238	131,802	150,238
Amounts due under finance leases and hire purchase (Note 15)	1,760,404	1,811,114	617,569	628,259
	<u>4,492,206</u>	<u>5,111,352</u>	<u>3,945,209</u>	<u>4,524,335</u>

15. 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	1,650,000	1,650,000	1,650,000	1,650,000
Repayable over 5 years	400,000	950,000	400,000	950,000
	<u>3,150,000</u>	<u>3,700,000</u>	<u>3,150,000</u>	<u>3,700,000</u>

HSBC Bank Plc holds legal mortgages dated 15 February 1994 on properties, and debentures dated 21 February 1994 containing fixed and floating charges on certain assets of the company.

STONEGATE FARMERS LIMITED & Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

15. DEBT MATURITY (contd.)

Amounts due under finance leases and hire purchase contracts

	Group		Holding Company	
	1999	1998	1999	1998
	£	£	£	£
Repayable within one year	408,193	332,753	302,649	254,499
Repayable between 2 - 5 years	1,093,481	1,059,674	566,150	628,259
Repayable after 5 years	666,923	751,440	51,419	-
	<u>2,168,597</u>	<u>2,143,867</u>	<u>920,218</u>	<u>882,758</u>

Aggregate borrowings for the group repayable after five years from the balance sheet date amount to £1,066,923 (1998: £1,701,440).

16. DEFERRED TAXATION

No provision is made for deferred taxation in 1999 (1998 £Nil).

The full potential liability at 30% would be as follows:

Accelerated capital allowances	1,086,918	1,199,271	911,164	1,015,860
Losses	(468,632)	(154,377)	(468,632)	(154,377)
	<u>618,286</u>	<u>1,044,894</u>	<u>442,532</u>	<u>861,483</u>

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

17. SHARE CAPITAL

	Holding Company	
	£	£
Authorised: 3,000,000 ordinary shares of £1 each	<u>3,000,000</u>	<u>3,000,000</u>
Allotted, issued and fully paid: 2,000,000 ordinary shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>

STONEGATE FARMERS LIMITED & Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

18. RESERVES

	Total	Group Profit and loss account	Revaluation reserve
	£	£	£
Group			
At 04.10.98	6,616,623	6,616,623	-
Retained loss for the period	(895,201)	(895,201)	-
Revaluation in the period	421,155	-	421,155
At 02.10.99	<u>6,142,577</u>	<u>5,721,422</u>	<u>421,155</u>

Cumulative goodwill written off at the balance sheet date was £2,247,440. The loss for the year attributable to the shareholders of the holding company was £983,956.

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999	1998
	£	£
Total recognised gains and losses for the financial period	<u>(474,046)</u>	<u>(2,579,946)</u>
Net subtraction from shareholders' funds	(474,046)	(2,579,946)
Opening shareholders' funds	8,616,623	11,196,569
Closing shareholders' funds	<u>8,142,577</u>	<u>8,616,623</u>

20. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of operating profit to net cash inflow from operating activities

	£	£
Operating (loss)/profit	(196,236)	(2,267,768)
Depreciation charges	1,776,503	2,046,139
Decrease in stocks	219,115	1,001,839
Decrease/(increase) in debtors	687,934	1,607,696
Decrease/increase in creditors	<u>(1,255,736)</u>	<u>117,994</u>
	<u>1,231,580</u>	<u>2,505,900</u>

STONEGATE FARMERS LIMITED & Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

20. NOTES TO THE CASH FLOW STATEMENT (contd.)

	1999	1998
	£	£
Reconciliation of net cash flows to movement in net debt		
Decrease in cash	(496,904)	(242,846)
Cash inflow from increase in debt and lease financing	981,162	1,103,010
Changes in net debt resulting from cash flow	484,258	860,164
New finance leases	(455,891)	(1,046,263)
Movement in net debt in the period	28,367	(186,099)
Net debt at 04.10.98	(6,869,026)	(6,682,927)
Net debt at 02.10.99	(6,840,659)	(6,869,026)

Analysis of net debt

	At 04.10.98	Cash flow	Non cash changes	At 02.10.99
	£	£	£	£
Net cash:				
Cash at bank and in hand	13,769	12,527		26,296
Bank overdraft	(1,038,928)	(509,430)		(1,548,358)
		(496,903)		
Debt:				
Finance leases	(2,143,867)	431,161	(455,891)	(2,168,597)
Bank loans	(3,700,000)	550,000		(3,150,000)
Net debt	(6,869,026)	484,258	(455,891)	(6,840,659)

Analysed in the balance sheet as follows:

	£	£
Cash at bank and in hand	13,769	26,296
Bank overdraft	(1,038,928)	(1,548,358)
Finance leases due:		
Within one year	(332,753)	(408,193)
After one year	(1,811,114)	(1,760,404)
Bank loans due:		
Within one year	(550,000)	(550,000)
After one year	(3,150,000)	(2,600,000)
	(6,869,026)	(6,840,659)

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 £455,891.

21. FINANCIAL COMMITMENTS

	Group		Holding Company	
	1999	1998	1999	1998
	£	£	£	£
Capital Commitments				
Capital expenditure contracted for	nil	115,034	nil	100,034

STONEGATE FARMERS LIMITED & Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

21 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:

	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	236,611	215,980	173,159
	<u>552,366</u>	<u>544,537</u>	<u>663,577</u>	<u>508,689</u>

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 £144,617 (1998:£ 141,403).

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 1997 when the actuarial value of the scheme assets was £4,391,000 and the actuarial value of past service liabilities was £3,394,000 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 129%.

The value of the scheme assets above includes £1,300,000 in respect of income from the demutualisation of AMP which arose after the valuation date but as this event was anticipated at that date but the proceeds unknown, this amount has been included by the actuary in his valuation.

The actuarial valuation also includes an assessment of the Minimum Funding Requirement which at the valuation date, including the proceeds of the AMP shares, indicates a funding level of 98%. 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.

Five directors qualified for benefits. The pension accrued by the highest paid director at the year end was £71,798 (1998:£73,237) per annum, and the cash sum available on retirement was £171,651 (1998: £171,651).

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 £39,951 (1998:£26,712). The Group also makes contributions to a number of personal pension schemes. The cost in the year was £6,151 (1998: £7,761).

STONEGATE FARMERS LIMITED & Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

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 £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 £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 02 October 1999 was £150,569 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 £74,768 (1998:£8,931,921) and £12,502,502 (1998: £23,107,136) respectively on normal commercial terms.

In addition, the Group recharged £443,129 (1998:£ 634,529) to its joint venture in respect of administrative costs incurred on their behalf.

The balances owing to and from joint ventures at the year end were £176,975 and £nil respectively.

Group companies purchased goods with a value of £145,284 from 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 SJD Humphrey Holdings Limited was £44,740.

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

	Purchases and rent £	Sales to £
Clifford Kent Limited	3,626,482	422,380
Horizon Kent Limited	282,138	-

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

	Owing to £	Owing from £
Clifford Kent Limited	35,519	44,645
Horizon Kent Limited	12,525	-
	48,044	44,645

STONEGATE FARMERS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Seventh Annual General Meeting of the Company will be held at 15 North Street, Hailsham, East Sussex, on Tuesday 25th April 2000 at 2.00 pm for the transaction of the following business:

1. To receive and adopt the Report of the Directors and Audited Financial Statements for the 52 weeks ended 2nd October 1999.
2. To declare that there will be no dividend to shareholders.
3. To re-elect Mr P R Gourmand as a Director.
4. To re-elect Mr D M Humphrey as a Director.
5. To re-appoint Messrs HLB Kidsons (formerly Kidsons Impey) as Auditors and to authorise the Directors to fix their remuneration.

By Order of the Board

B N F HAYTER

Secretary

Dated this Thirty-first day of March 2000.

NOTE: A member entitled to attend and vote at this Meeting is entitled to appoint one or more proxies, to attend and vote on their behalf. A proxy need not be a member of the Company.

STONEGATE FARMERS LIMITED

FORM OF PROXY

Proxy Form for use by Ordinary Shareholders for the Annual General Meeting, to be held on Tuesday 25th April 2000.

(IN BLOCK CAPITALS PLEASE)

I/We (Name in full)

of

being a member of the
above-named Company
hereby appoint

of

to act as my/our proxy at the Annual General Meeting of the Company to be held on Tuesday 25th April 2000 at 2.00 pm and at any adjournment thereof, and to vote on my/our behalf as directed below and on any other resolution or motion put to the Meeting in such manner as my/our proxy thinks fit.

Please indicate with an X in the spaces provided how you wish your votes to be cast on a poll. Should this card be returned duly signed, but without a specific direction, the proxy will vote or abstain at his/her discretion.

ANNUAL GENERAL MEETING

Resolutions	For	Against
1. To receive and adopt the Report of the Directors and Audited Financial Statements for the 52 weeks ended 2 nd October 1999.		
2. To declare that there will be no dividend to shareholders.		
3. To re-elect Mr P R Gourmand as a Director.		
4. To re-elect Mr D M Humphrey as a Director.		
5. To re-appoint Messrs HLB Kidsons (formerly Kidsons Impey) as Auditors and to authorise the Directors to fix their remuneration.		

Signature _____ Dated _____ 2000

To facilitate arrangements for the Meeting, please tick here (without commitment on your part) if you propose to attend

☐

NOTES

1. A member may appoint a proxy of his own choice.
2. In the case of joint holders, the signature of any one holder will be sufficient, but the name of all the joint holders should be stated.
3. In the case of a corporation this proxy must be given under its Common Seal or be signed on its behalf by an attorney or officer duly authorised.
4. To be effective this proxy must be lodged at the address given below not later than 48 hours before the time of the Meeting, or any adjournment thereof, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney.

Return to :

The Company Secretary, Stonegate Farmers Limited, 15 North Street, Hailsham, East Sussex, BN27 1DH

