

1206244

ELM TREE FARM LIMITED

**DIRECTORS' REPORT
AND ACCOUNTS**

31 MARCH 1999



ELM TREE FARM LIMITED

REPORT OF THE DIRECTORS

The directors submit their report, together with the audited accounts of the company for the year ended 31 March 1999.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of the profit for that period. In preparing those accounts the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REVIEW OF THE BUSINESS

The company carries on arable farming operations at Elm Tree Farm, Stoney Houghton and associated lands. No changes in this activity have taken place during the year.

Turnover for the year was £472,900 (1998 - £423,203) and there was an operating profit of £36,531 compared with a loss of £13,248 in 1998. In the directors' opinion, the company has again finished the year well equipped to meet the challenges ahead.

RESULTS

The profit for the year after taxation was £36,267 (1998 - £2,219) as detailed in the profit and loss account. The directors recommend that no dividend should be paid in respect of the year.

ELM TREE FARM LIMITED

REPORT OF THE DIRECTORS (continued)

DIRECTORS AND THEIR INTERESTS

The following were directors of the company throughout the year ended 31 March 1999:

Duke of Devonshire
Duchess of Devonshire
Marquess of Hartington
Marchioness of Hartington
R B Wardle

None of the directors have an interest in the shares of Elm Tree Farm Limited.

The Duchess of Devonshire and the Marquess and Marchioness of Hartington have an interest in the shares of the holding company in whose Directors' Report those interests are stated.

In accordance with the company's articles of association, The Marquess of Hartington retires by rotation and, being eligible, offers himself for re-election.

HOLDING COMPANY

The whole of the allotted share capital is held by Chatsworth Holdings Limited, a company in which The Trustees of the Chatsworth Settlement have a 91.55% interest.

FUTURE DEVELOPMENT

The management and directors keep alternative crops under review in order to achieve a good profit and to meet market demands whilst complying with best agricultural practice. Any good opportunities to extend the company's farming activities will be examined carefully and will be taken up if they are in the company's best interests.

AUDITORS


The company's auditors, Price Waterhouse, merged with Coopers & Lybrand on 1 July 1998, with the new firm being known as PricewaterhouseCoopers. Accordingly, Price Waterhouse resigned as auditors and the directors appointed PricewaterhouseCoopers to fill the casual vacancy.

PricewaterhouseCoopers will continue in office as auditors to the company under the elective resolution passed on 13 December 1990, unless any member deposits notice in writing at the company's registered office proposing that the appointment be brought to an end.

YEAR 2000

The directors recognise the reliance of the business on its own computer systems as well as those of its customers and suppliers, and the commercial risks of computer failure due to the impact of Year 2000. The directors and members of senior management are working to identify such issues and the means to address them, and believe that the costs expected to be incurred in this respect are unlikely to be material to the company.

By Order of the Board


R S HILL
Secretary

22 July 1999

Company No: 1206244

Auditors' report to the members of Elm Tree Farm Limited

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 1 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.


Basis of audit 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 the company's affairs at 31 March 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Nottingham

22 July 1999

ELM TREE FARM LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1999

	Notes	1999	1998
TURNOVER		472,900	423,203
Cost of sales		(313,894)	(317,010)
		<hr/>	<hr/>
GROSS PROFIT		159,006	106,193
Administrative expenses		(122,475)	(119,441)
		<hr/>	<hr/>
OPERATING PROFIT/(LOSS)	2	36,531	(13,248)
Interest receivable		15,451	16,804
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		51,982	3,556
Tax on profit on ordinary activities	3	(15,715)	(1,337)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION TRANSFERRED TO RESERVES	12	<u>£36,267</u>	<u>£2,219</u>

There were no recognised gains or losses other than the results for the year.

The above results all arose from continuing operations.

ELM TREE FARM LIMITED

BALANCE SHEET AT 31 MARCH 1999

	Notes	1999	1998
FIXED ASSETS			
Tangible assets	6	132,241	109,343
Investment		15	15
		<hr/>	<hr/>
		132,256	109,358
CURRENT ASSETS			
Stocks	7	172,454	184,903
Debtors	8	104,357	62,596
Cash at bank and in hand		368,367	362,393
		<hr/>	<hr/>
		645,178	609,892
Creditors (amounts falling due within one year)	9	(237,466)	(222,964)
		<hr/>	<hr/>
NET CURRENT ASSETS		407,712	386,928
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		539,968	496,286
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	10	(8,155)	(740)
		<hr/>	<hr/>
NET ASSETS		£531,813	£495,546
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	11	72,000	72,000
Profit and loss account	12	459,813	423,546
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	13	£531,813	£495,546
		<hr/>	<hr/>

Approved by the Board on 22 July 1999

R. B. Wardle

R B Wardle
Director

ELM TREE FARM LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1999

1 ACCOUNTING POLICIES

(a) Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

(b) Tangible assets

Tangible assets are stated at cost. Depreciation is provided by the straight line method so as to reduce assets to their estimated realisable value over their useful lives. The lives attributed to assets are:

	Number of years
Short leasehold buildings	15
Corn drying and storage installation	15
Farm plant and equipment	3 to 10
Tractors, combine harvesters and vehicles	4 to 7

(c) Stocks

Crops in store, growing crops and stocks of feed, fertilizers, chemicals and stores are stated at the lower of cost, including direct and indirect production costs, and estimated realisable value.

(d) Deferred taxation

Apart from any liability arising from short-term timing differences, deferred taxation is only provided where the deferral is not expected to continue in the foreseeable future. Potential assets in respect of deferred taxation are not recognised in the accounts.

(e) Set-aside and arable area payments

Set-aside and arable area payments are brought into the profit and loss account in the period in which credit is taken for the sale of the related crops.

(f) Cash flow statement

The company has taken advantage of the exemption available under FRS1 (Revised 1996) for small companies and has therefore not included a cash flow statement in the accounts.

ELM TREE FARM LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1999 (continued)

2 OPERATING PROFIT/(LOSS) 1999 1998

is stated after the following amounts:

Staff costs: The average number of persons employed during the year in addition to the directors was 4 (1998 - 4)

Wages and salaries	123,673	111,488
Social security costs	11,214	9,974
Other pension costs	14,878	19,328
Depreciation	36,195	44,561
Auditors' remuneration	2,020	1,960
Profit on sale of tangible assets	(2,574)	(11,500)
Set aside and arable area payments receivable	(78,327)	(111,688)

Staff costs include £63,500 (1998 - £56,650) paid to 4 (1998 - 4) directors in respect of their services to the company.

One employee has a personal pension and another employee is a member of the pension scheme of The Trustees of the Chatsworth Settlement, the cost of which is covered by a management charge. Other employees are seasonal and not entitled to a pension.

3 TAX ON PROFIT ON ORDINARY ACTIVITIES 1999 1998

The charge for taxation for the year is as follows:

UK corporation tax at 21% (1998 - credit at 35%)	9,056	(2,873)
(Over)/underprovision in prior years	(756)	3,470
Transfer to deferred taxation	7,415	740
	<hr/>	<hr/>
	£15,715	£1,337
	<hr/>	<hr/>

ELM TREE FARM LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1999 (continued)

4 HOLDING COMPANY

Chatsworth Holdings Limited, a company registered in England, owned the whole of the company's allotted share capital throughout the year.

The Trustees of the Chatsworth Settlement hold 91.55% of the allotted share capital of Chatsworth Holdings Limited.

The Trustees of the Chatsworth Settlement have guaranteed bank overdraft facilities of the company, should this be required, up to a limit of £45,000.

5 RELATED PARTY TRANSACTIONS

During the year the company entered into various transactions with the Trustees of the Chatsworth Settlement, who, as mentioned in Note 5, hold 91.55% of the allotted share capital of the company's parent company.

The company has sold produce to the Trustees of the Chatsworth Settlement during the year amounting to £10,333 (1998 - £12,727).

The company's farmland is owned by the Trustees of the Chatsworth Settlement and in the year under review the company paid rent amounting to £58,300 (1998 - £58,300).

The Trustees of the Chatsworth Settlement provide management services to Elm Tree Farm Limited and a fee is charged to the company representing the fair value of this service. During the year under review this amounted to £22,600 (1998 - £22,000).

ELM TREE FARM LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1999 (continued)

6 TANGIBLE ASSETS

	Short leasehold <u>buildings</u>	Corn drying and storage <u>installation</u>	Tractors, vehicles and <u>implements</u>	<u>Total</u>
COST				
At 1 April 1998	55,816	95,620	437,764	589,200
Additions	3,889	-	55,205	59,094
Disposals	-	-	(7,344)	(7,344)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1999	59,705	95,620	485,625	640,950
	<hr/>	<hr/>	<hr/>	<hr/>
ACCUMULATED DEPRECIATION				
At 1 April 1998	49,150	95,619	335,088	479,857
Charge for the period	1,956	-	34,239	36,195
Disposals	-	-	(7,343)	(7,343)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1999	51,106	95,619	361,984	508,709
	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK AMOUNT AT				
31 March 1999	£8,599	£1	£123,641	£132,241
	<hr/>	=	<hr/>	<hr/>
31 March 1998	£6,666	£1	£102,676	£109,343
	<hr/>	=	<hr/>	<hr/>

7 STOCKS

	1999	1998
Raw materials and consumables	20,905	31,145
Work in progress - growing crops	62,908	82,957
Crops in store	88,641	70,801
	<hr/>	<hr/>
	£172,454	£184,903
	<hr/>	<hr/>

8 DEBTORS

	1999	1998
Trade debtors	89,925	44,281
Amount owed by group undertaking	1,700	1,700
Other debtors	12,732	16,615
	<hr/>	<hr/>
	£104,357	£62,596
	<hr/>	<hr/>

ELM TREE FARM LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1999 (continued)

9 CREDITORS (amounts falling due within one year)	1999	1998
Trade creditors	94,893	93,861
Amount owed to Trustees of the Chatsworth Settlement	62,223	60,637
Other creditors	69,941	62,470
Taxation and social security	10,409	5,996
	<hr/>	<hr/>
	£237,466	£222,964
	<hr/> <hr/>	<hr/> <hr/>

10 DEFERRED TAXATION	1999	1998
Balance at 1 April 1998	740	-
Transfer from profit and loss account	7,415	740
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Balance at 31 March 1999	£8,155	£740
	<hr/> <hr/>	<hr/> <hr/>
These amounts represent fixed asset related timing differences.		

11 SHARE CAPITAL	1999	1998
Authorised:		
100,000 ordinary shares of £1 each	£100,000	£100,000
	<hr/>	<hr/>
Allotted and fully paid:		
72,000 ordinary shares of £1 each	£72,000	£72,000
	<hr/>	<hr/>

12 RESERVES	Profit and Loss Account
At 1 April 1998	423,546
Retained profit on ordinary activities after taxation	36,267
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At 31 March 1999	£459,813
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13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1999	1998
Profit for the period	36,267	2,219
Opening shareholders' funds	495,546	493,327
	<hr/>	<hr/>
Closing Shareholders' Funds	£531,813	£495,546
	<hr/> <hr/>	<hr/> <hr/>

14 COMPANY STATUS

The company is a close company as defined by the Taxes Acts.