

SUMMARY OF PRINCIPAL LAND HOLDINGS

ESTATE

Ayrshire

1. KILMARNOCK AND LOUDOUN 2,310 acres including industrial buildings, leisure park and land with long term development potential.

Bedfordshire

2. HOUGHTON REGIS 94 acres part adjoining existing residential development with long term planning potential.

Cambridgeshire

3. FELTWELL 4,082 acres of grade 1 land farmed by British Field Products Limited.

Hertfordshire

4. CHESHUNT 1,753 acres mixed estate split by M25 with long term planning potential.

Lancashire

5. CHAT MOSS 1,303 acres of grade 1 farmland split by M62 motorway and within City of Salford. Includes 246 acres with planning permission to extract peat and land with long term development potential.

Lincolnshire

6. SUTTON BRIDGE 5,112 acres of grade 1 land including 23 acres with industrial warehousing and land with development potential.
7. POSTLANDS 1,756 acres of grade 2 land with possible landfill potential. Includes an airstrip.
8. LEA and GATE BURTON 2,966 acres near Gainsborough with potential for housing.
9. ABBEY FARMS SYKEMOUTH 2,424 acres of grade 1 & 2 land farmed by British Field Products Ltd.

Norfolk

10. EAST HARLING, HARPLEY and SWAFFHAM 121 acres including part of industrial estate, land within Swaffham town bypass and Harpley village centre with industrial unit.



SUMMARY OF PRINCIPAL LAND HOLDINGS (continued)

ESTATE

Norfolk

11. FRENZE HALL, DISS 547 acres comprising single tenanted farm situated close to market town of Diss.

Shropshire

12. ELLESMERE ESTATE 3,600 acre let estate with planning for infill housing development.

Sussex

13. EARTHAM 348 acres of former gravel pits in the process of restoration including the site of the Boxgrove Man discovery.

Worcestershire

14. STRENSHAM 572 acres around the M5/M50 interchange, mineral reserves and land with planning permission for an extension to the motorway service area.

Yorkshire

15. ELVINGTON, YORK 469 acres on the east side of York adjoining the A64 York southern bypass, including a "Park & Ride" site and land promoted to satisfy housing need in the Greater York area.

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Lands Improvement Holdings plc

Directors

Robin A E Herbert CBE*

(Chairman)

Professor Sir Colin Spedding CBE*

(Deputy Chairman)

Roger D Corley CBE*

Peter A Clery

(Managing Director)

Robin M Drayton

Henry L Richards

Noel M Stephens

**Non-executive directors*

Secretary

N M Stephens FCA

Registered Office

1 Buckingham Place

London SW1E 6HR

Registered number

Registered in England No. 1257600

Bankers

National Westminster Bank Plc

208 Piccadilly, London W1A 2DG

Auditors

Robson Rhodes, Chartered Accountants

186 City Road, London EC1V 2NU

CHAIRMAN'S STATEMENT

For the year ended 31 December 1995, the Group profit after tax was £2,492,000 compared with £1,293,000 in 1994.

A final dividend of 3.0p per share is proposed making a total of 4.75p (1994 – 4.75p) which is twice covered by earnings.

The net asset value per share has increased from 120p per share to 132p per share.

These results are the culmination of a very successful year in the course of which we undertook three major transactions. The most important was the acquisition of the entire business and land assets of British Field Products (BFP) in what we understand to be the largest single transaction in British agriculture. Out of 19,500 acres bought, we have retained the ownership of some 6,500 acres of Grade 1 and 2 land in South Lincolnshire and North Cambridgeshire. We have also retained farming, on a Farm Business Tenancy or contract basis, of 5,000 acres which we sold. The entire BFP transaction, with a total value in excess of £50 million, was funded by bank finance.

Secondly, as reported at the half year, we acquired the entire share capital of Landmatch plc, which held 1,130 acres of land, 212,000 litres of milk quota and substantial tax losses. This transaction was paid for partly in cash (£2.67 million) and partly by shares (1,019,779 shares issued). We welcome the new shareholders who have joined us through Landmatch.

Thirdly, we purchased the 1,758 acre Theobalds Estate astride the M25 near Waltham Cross. The sale of most of the land to sitting tenants is anticipated but we intend to retain land with development potential.

Your Company now owns about 27,000 acres of which some 14,000 acres are subject to full agricultural tenancies and on much of which we continue to achieve substantial rental increases.

Our core portfolio is benefiting from the strong recovery in farm profits and from the introduction of the new Farm Business Tenancies. On our best land, rents can now substantially exceed £180 per acre. Over 40% of your Company's land falls into MAFF Grade 1 category compared with 3% for the country as a whole.

Through BFP, 6,000 acres of owned land is farmed by your Company. A further 10,000 acres, held under contract or tenancy, is also farmed by BFP. The expertise of BFP is playing an important role in the production and marketing of high value vegetable and potato crops on these 16,000 acres.

Your Company has only a very low exposure to the cattle industry. On balance because of our strong presence in the arable and vegetable sectors, the Company's prospects have not, we think, been impaired by the concern over BSE.

Lands Improvement Holdings plc

CHAIRMAN'S STATEMENT (continued)

We substantially increased our gearing during the year to fund the BFP acquisition. At the year end, net bank borrowing was £24.5 million. Subsequently, net borrowings have been reduced to some £15 million from further profitable sales of land, the continued ownership of which was not considered appropriate.

The Board has decided to write off immediately some £1.7 million of goodwill arising from our acquisitions in 1995. The main item was a provision of £1.4 million for deferred tax accrued on estates acquired with BFP.

Loudoun Castle Park, our leisure facility in Ayrshire, received over 100,000 visitors in 1995 but incurred start up costs which have been written off in full together with an associated write down of the property. New management is in place and we look for an improvement from this investment in 1996, after which we shall review our options.

In the early part of the year, it appeared that timber prices might be peaking. We therefore placed our mature 1,700 acre High Cairn and Carcarse forest on the market and achieved a very satisfactory sale with the majority of the profits tax free as standing timber.

At the time of writing, plans are in hand for an early Introduction of the Company's shares to the Official List of the London Stock Exchange.

The Group continues to be led by Peter Clery as Managing Director. The Board are pleased to announce that Henry Richards has been appointed Deputy Managing Director.

Last year was a profitable and successful year. The results would not have been achieved without exceptionally hard work by the executive team and their staff, for which it is a pleasure to thank all of them most warmly.

The prospects for the current year are very encouraging and unless we suffer some unforeseen setback, I am confident that further progress can be expected from both our landowning and farming enterprises.

ROBIN HERBERT

Lands Improvement Holdings plc

DIRECTORS' REPORT

The Directors present their report and the Group accounts for the year ended 31 December 1995.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

A review of the Group's activities and business developments in the year is contained in the Chairman's statement on page 5.

The principal activities of the Lands Improvement Holdings plc group of companies are:

1. The acquisition and management of rural land for long term investment and/or development.
2. Lending on the security of rural land.
3. Farming.

CHANGE OF NAME

On 14 August 1995 the Company's name was changed from The Lands Improvement Group Limited to Lands Improvement Holdings plc.

RESULTS AND DIVIDENDS

The Group's activities during the year resulted in a profit after taxation of £2,492,000 equivalent to 9.88p per ordinary share. A final dividend of 3.0p per share is proposed for payment on 31 May 1996 amounting to £776,000. This leaves a surplus for the year of £1,282,000 which has been transferred to reserves.

DIRECTORS

The present Directors are listed on page 4 and served throughout the year. The following Directors retire by rotation and being eligible offer themselves for re-appointment:

P A Clery
R M Drayton

Mr Peter A Clery has a contract of service with the Company which is terminable by two years' notice given by the Company and one year's notice given by Mr Clery. Mr Henry L Richards has a contract of service with the Company, dated 16 May 1994, which is terminable by three years' notice given by the Company in the first year of its term, two years' notice during the second year of its term, and eighteen months' notice thereafter. The contract is terminable on six months' notice given by Mr Richards. Mr Noel M Stephens has a contract service with the Company which is terminable by nine months' notice from either party.

Lands Improvement Holdings plc

DIRECTOR'S REPORT (continued)

DIRECTORS INTERESTS

The Directors' interests in the share capital of the Company were as follows:

	Number of ordinary shares	
	At 31.12.95	At 1.1.95
Peter A Clery	8,077	8,077
	190,000*	190,000*
Robin M Drayton	12,000	12,000
	95,000*	95,000*
Henry L Richards	240,000*	240,000*
Options outside Option Scheme	260,000	260,000
Noel M Stephens	100,000*	100,000*

*Options granted under the Employee Share Option Scheme

No other Directors of the Company held any shares or options over shares in Lands Improvement Holdings plc. None of the Directors have any interest in the shares of any other Group company.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has maintained insurance to cover Directors' and Officers' liability arising from the performance of their duties, as permitted by section 310(3) of the Companies Act 1985.

CORPORATE ACQUISITIONS

On 17 August 1995 the Group acquired all the ordinary share capital of Landmatch plc for a total £2.67 million in cash (excluding expenses of the transaction) and the issue of approximately 1.02 million ordinary shares. In addition the Group distributed Landmatch's shareholding in The River Beaulieu Fishings Company Limited by way of dividend in specie to the holders of deferred shares.

On 30 November 1995 the Group acquired all the ordinary share capital of British Field Products Limited for a total of £30.93 million in cash.

FIXED ASSETS

The movements in fixed assets during the year are summarised in notes 14 to 16.

MARKET VALUE OF LAND AND BUILDINGS

The Group's investment properties were revalued on 31 December 1995. The revaluation of £30,848,000 which was £3,674,000 more than the former net book value, has been incorporated in these accounts.

In the opinion of the Directors, the market value of the Group's other property fixed assets was not materially different from their net book value.

DIRECTOR'S REPORT (continued)

DONATIONS

Donations for charitable purposes made by the Group during the year amounted to £1,145 (1994 — £385). No contributions for political purposes were made during the year (1994 — nil).

NET ASSET VALUE

At 31 December 1995 the company's net asset value per ordinary share amounted to 132.1p (1994 — 120.2p) based on the net assets of the Group shown in the consolidated balance sheet.

AUDITORS

A resolution to reappoint Robson Rhodes as auditors will be put to the members at the Annual General Meeting.

CORPORATE GOVERNANCE

Code of Best Practice

With regard to the Code of the Committee on the Financial Aspects of Corporate Governance and the Greenbury Report on Directors' Remuneration, the Board is taking steps to enable it to comply with their requirements as and when its shares are introduced to the Official List of the London Stock Exchange.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Internal control

The Directors are reviewing the guidelines on internal control and financial reporting and will include a statement on these in the accounts for the year ending 31 December 1996.

Board Committees

The Audit Committee consists solely of the non-executive Directors and is chaired by Mr Robin A E Herbert.

The Board has set up a Remuneration Committee consisting of the non-executive Directors and is chaired by Mr Robin A E Herbert. The Managing Director attends this Committee when requested. It reviews annually the remuneration, including performance-related bonuses, and service agreements of the executive and non-executive Directors.

DIRECTOR'S REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the financial statements on the going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements 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.

By order of the Board


N M STEPHENS

Secretary

26 April 1996

**AUDITORS' REPORT TO THE SHAREHOLDERS OF THE
LANDS IMPROVEMENT GROUP LIMITED**

We have audited the financial statements on pages 12 to 38 which have been prepared on the basis of the accounting policies set out on pages 17 and 18.

Respective responsibilities of Directors and Auditors

As described on page 10 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

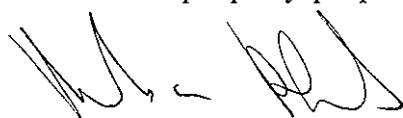
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1995 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Robson Rhodes
Chartered Accountants and Registered Auditor

London
26 April 1996

Lands Improvement Holdings plc

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1995

	<i>Notes</i>	1995 £'000	1994 £'000
TURNOVER			
1995 acquisitions	2	6,217	—
Other continuing operations	2	23,243	6,725
Total continuing operations	2	29,460	6,725
Discontinued operations	2	—	722
TOTAL TURNOVER	2	29,460	7,447
Cost of sales	3	(24,642)	(4,968)
GROSS PROFIT		4,818	2,479
Administrative expenses	4	(1,897)	(1,565)
Adjustment in provision for permanent diminution in value of fixed assets		(370)	100
Provision against mortgage loans		(100)	(78)
Other operating income	5	332	127
ANALYSIS OF OPERATING PROFIT			
1995 acquisitions	26	1,232	—
Other continuing operations		1,551	1,161
Total continuing operations		2,783	1,161
Discontinued operations		—	(98)
OPERATING PROFIT	8	2,783	1,063
Profit on disposal of investment properties		1,148	1,159
Profit on disposal of investment		—	389
Provision for loss on disposal and permanent diminution in value of fixed assets of discontinued business		—	(90)
Loss on disposal of fixed assets		(10)	—
		3,921	2,521
Interest receivable and similar income	6	75	31
Interest payable and similar charges	7	(795)	(537)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,201	2,015
Tax on profit on ordinary activities	11	(709)	(722)
PROFIT FOR THE YEAR		2,492	1,293
Dividends on ordinary shares	12	(1,210)	(1,179)
RETAINED PROFIT FOR THE YEAR BEFORE DISTRIBUTION IN SPECIE		1,282	114
Dividend in specie on deferred shares	12 & 21	(1,124)	—
Satisfaction of amounts due to former Landmatch plc shareholders	12 & 21	1,124	—
		—	—
RETAINED PROFIT FOR THE YEAR		1,282	114
EARNINGS PER SHARE	13	9.88p	5.21p

Lands Improvement Holdings plc

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 1995

	1995 £'000	1994 £'000
Profit for the year	2,492	1,293
Unrealised surplus on revaluation of investment properties	3,674	426
Total recognised gains	<u>6,166</u>	<u>1,719</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 December 1995

	1995 £'000	1994 £'000
Reported profit on ordinary activities before taxation	3,201	2,015
Realisation of property revaluation surpluses and deficits	136	144
Historical cost profit on ordinary activities before tax	<u>3,337</u>	<u>2,159</u>
Historical cost retained profit for the year	<u>1,418</u>	<u>258</u>

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1995 £'000	1994 £'000
Group		
Total recognised gains	6,166	1,719
Goodwill arising on acquisitions	(1,695)	—
Dividends	<u>(1,210)</u>	<u>(1,179)</u>
	3,261	540
Opening shareholders' funds	29,847	29,307
Issue of shares	<u>1,020</u>	<u>—</u>
Closing shareholders' funds	<u>34,128</u>	<u>29,847</u>
Company		
Profit after taxation and dividend in specie	1,184	1,196
Revaluation deficit	(248)	—
Dividends	<u>(1,210)</u>	<u>(1,179)</u>
	(274)	17
Opening shareholders' funds	27,720	27,703
Issue of shares	<u>1,020</u>	<u>—</u>
Closing shareholders' funds	<u>28,466</u>	<u>27,720</u>

Lands Improvement Holdings plc

CONSOLIDATED BALANCE SHEET

at 31 December 1995

	<i>Notes</i>	1995 £'000	1994 £'000
FIXED ASSETS			
Tangible assets—Investment properties	14	30,848	25,878
—Other properties, plant and machinery	15	16,193	2,028
Investments and loans	16	4,733	4,916
		<u>51,774</u>	<u>32,822</u>
CURRENT ASSETS			
Stocks	17	21,959	2,636
Investment held for distribution	12 & 21	1,124	—
Debtors	18	8,866	3,878
Cash at bank and in hand		6,413	7
		<u>38,362</u>	<u>6,521</u>
CREDITORS: amounts falling due within one year	19	<u>(48,003)</u>	<u>(2,497)</u>
NET CURRENT ASSETS		<u>(9,641)</u>	<u>4,024</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		42,133	36,846
CREDITORS: amounts falling due after more than one year including convertible debt	20	(6,813)	(6,999)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	24	(1,192)	—
		<u>34,128</u>	<u>29,847</u>
CAPITAL AND RESERVES			
Called-up share capital	21	25,845	24,825
Share premium account	22	131	131
Investment property revaluation reserve	22	4,732	1,194
Profit and loss account	22	3,420	3,697
SHAREHOLDERS' FUNDS	23	<u>34,128</u>	<u>29,847</u>
including non-equity interests			

Approved by the Board on 26 April 1996

R A E HERBERT, *Chairman*

P A CLERY, *Managing Director*

Lands Improvement Holdings plc

BALANCE SHEET

at 31 December 1995

	<i>Notes</i>	1995 £'000	1994 £'000
FIXED ASSETS			
Tangible assets—Investment properties	14	6,348	3,975
—Other properties, plant & machinery	15	136	1,245
Investments	16	46,269	28,217
		<u>52,753</u>	<u>33,437</u>
CURRENT ASSETS			
Property held for resale	17	5,989	—
Investment held for distribution	12 & 21	1,124	—
Debtors	18	19,620	2,728
Cash at bank and in hand		523	—
		<u>27,256</u>	<u>2,728</u>
CREDITORS: amounts falling due within one year	19	<u>(44,784)</u>	<u>(1,446)</u>
NET CURRENT ASSETS		<u>(17,528)</u>	<u>1,282</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		35,225	34,719
CREDITORS: amounts falling due after more than one year including convertible debt	20	<u>(6,759)</u>	<u>(6,999)</u>
		<u>28,466</u>	<u>27,720</u>
CAPITAL AND RESERVES			
Called-up share capital	21	25,845	24,825
Share premium account	22	131	131
Investment property revaluation reserve	22	(248)	—
Profit and loss account	22	2,738	2,764
SHAREHOLDERS' FUNDS	23	<u>28,466</u>	<u>27,720</u>
including non-equity interests			

Approved by the Board on 26 April 1996

R A E HERBERT, *Chairman*

P A CLERY, *Managing Director*

Lands Improvement Holdings plc

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 1995

	<i>Notes</i>	1995 £'000	1994 £'000
NET CASH FLOW FROM OPERATING ACTIVITIES	25	(5,566)	73
RETURNS ON INVESTMENT AND SERVICING OF FINANCE:			
Interest received		75	31
Interest paid		(528)	(537)
Dividends paid		(1,179)	(1,613)
NET CASH FLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(1,632)	(2,119)
TAXATION		(570)	(531)
INVESTING ACTIVITIES:			
Advances to landowners		(449)	(905)
Repayments received from landowners		453	1,104
Purchase of tangible fixed assets		(1,952)	(221)
Sales of tangible fixed assets		51	718
Purchase of investment properties		(3,272)	(1,227)
Sales of investment properties		5,451	3,286
Purchase of subsidiary undertakings	26	(17,004)	—
Grant received		244	248
Repayment of loan		114	57
NET CASH FLOW FROM INVESTING ACTIVITIES		(16,364)	3,060
NET CASH FLOW BEFORE FINANCING		(24,132)	483
FINANCING			
New bank loans		47,500	4,000
Repayment of bank loans		(17,500)	(5,000)
Capital element of finance leases		(4)	2
NET CASH FLOW FROM FINANCING		29,996	(998)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	25	5,864	(515)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1995

1. ACCOUNTING POLICIES

(a) Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards, including SSAP 19 which, unlike the detailed rules of the Companies Act, does not require depreciation of freehold investment properties. The Directors consider that this accounting policy is necessary for the accounts to give a true and fair view for the reason explained in note (f) below.

(b) Basis of consolidation

The Group accounts consolidate the accounts of the Company and all its subsidiary undertakings drawn up to 31 December 1995. No profit and loss account is presented for Lands Improvement Holdings plc as permitted by Section 230 of the Companies Act 1985.

The results of subsidiary undertakings acquired or disposed of during a financial year are included from, or up to, the effective date of acquisition or disposal. Goodwill, representing the difference between the cost and the fair value of the net assets acquired, is written off against reserves in the year of acquisition.

(c) Turnover

Turnover represents rents and other property income, the proceeds of sales of trading properties, interest receivable on mortgage loans advanced and the invoiced value of goods and services provided by the Group, excluding VAT and intra-group transactions.

(d) Government grants

Grants in respect of fixed assets are credited to the profit and loss account in equal annual instalments over the useful lives of the assets concerned. Other grants are credited to the profit and loss account in the same period as the expenditure to which they contribute.

(e) Investment properties

In accordance with SSAP 19, investment properties are revalued each year. The valuations are adopted in the accounts with surpluses and deficits taken to the investment property revaluation reserve, with the exception of deficits on individual properties which are considered permanent. Provisions for permanent diminutions in value are taken to the profit and loss account.

(f) Depreciation

In accordance with SSAP 19, no depreciation or amortisation is provided in respect of freehold investment properties. The Directors consider that because properties are included in the accounts at their open market values this accounting policy is necessary for the accounts to give a true and fair view. It would neither be practicable nor of real value to determine the depreciation or amortisation taken into account in arriving at the open market values.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1995

1. ACCOUNTING POLICIES (continued)

For all other tangible fixed assets depreciation is calculated to write down their costs to their estimated residual values by equal monthly instalments every year over the period of their estimated useful economic lives, which are considered to be:

Industrial and commercial buildings	—	25 years from completion of renovation.
Furniture, fittings and equipment	—	Between 4 and 10 years.
Motor vehicles	—	4 years.
Plant and machinery	—	Between 4 and 25 years.

(g) Leased assets

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the group's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding. Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the leases.

(h) Stocks

Stocks are stated at the lower of cost and net realisable value.

Cost of freehold land and buildings held as trading stock includes the purchase price, cost of acquisition and expenditure on planning and improvements.

(i) Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes.

Provision for deferred taxation is made under the liability method only to the extent that it is probable that the liability will become payable in the foreseeable future.

Advance corporation tax on dividends paid and provided for the year is not written off if UK corporation tax liabilities for the period up to the next balance sheet date are expected to be sufficient to absorb this tax.

(j) Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from the Company in an independently administered fund. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

A Group subsidiary operates a contributory defined-benefit scheme. The scheme is administered by trustees and the assets are held under a grouped funding policy separately from the Group's assets. Contributions to the scheme are assessed by an independent actuary on the basis of triennial valuations using the Protected Unit method. The charge to profit and loss account for regular costs is calculated so as to spread the cost of pensions over employees' working lives in the Group, using normal actuarial assumptions.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1995

	1995 £'000	1994 £'000
2. TURNOVER		
1995 acquisitions:		
Farming	1,634	—
Property trading	4,583	—
	6,217	—
Continuing operations:		
Gross rents and other income from fixed asset investments	1,688	1,751
Interest on mortgage loans advanced	433	479
Property trading	20,531	4,395
Other trading	591	100
	23,243	6,725
Discontinued operations:		
Horticultural products	—	722
	29,460	7,447
Turnover is derived solely from UK operations.		
3. COST OF SALES		
1995 acquisitions:		
Farming	1,055	—
Property trading	3,767	—
	4,822	—
Continuing operations:		
Property running costs	456	450
Property trading	19,035	3,745
Other trading	329	73
	19,820	4,268
Discontinued operations:		
Horticultural products	—	700
	24,642	4,968
4. ADMINISTRATION EXPENSES		
1995 acquisitions	133	—
Continuing operations	1,764	1,444
Discontinued operations:		
Horticultural products	—	121
	1,897	1,565

Lands Improvement Holdings plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1995

	1995 £'000	1994 £'000
5. OTHER OPERATING INCOME		
This comprises:		
Rents receivable on property held as current assets	173	108
Other income	159	19
	<u>332</u>	<u>127</u>
 6. INTEREST RECEIVABLE AND SIMILAR INCOME		
Bank deposit interest	<u>75</u>	<u>31</u>
 7. INTEREST PAYABLE AND SIMILAR CHARGES		
Bank loan and overdrafts	355	97
Loan stock (redeemable on 31 December 1998)	439	439
Finance lease charges	1	1
	<u>795</u>	<u>537</u>
 8. OPERATING PROFIT		
This is stated after charging:		
Directors' remuneration	395	334
Auditors' remuneration—for audit services	59	22
—for non-audit services	38	111
Depreciation of tangible fixed assets	314	92
Hire charges under operating leases—		
Land and buildings	81	35
Plant and machinery	74	7

The Auditors also received fees of £90,000 which were charged to cost of acquisitions.

Lands Improvement Holdings plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1995

	1995 £'000	1994 £'000
9. DIRECTORS' EMOLUMENTS		
Fees	35	37
Emoluments including pension contributions	360	297
	<u>395</u>	<u>334</u>

The emoluments of the Chairman and highest paid

Director were:

Chairman

20 18

Highest paid Director (including benefits in kind of
£7,000 (1994—£8,000))

103 93

Number of Directors

The emoluments of the Directors, exclusive of
pension contributions, were in the following ranges:

£0 — £5,000	—	4
£5,001 — £10,000	2	1
£15,001 — £20,000	—	1
£20,001 — £25,000	1	—
£45,001 — £50,000	—	1
£50,001 — £55,000	—	1
£55,001 — £60,000	1	—
£65,001 — £70,000	—	1
£70,001 — £75,000	1	—
£80,001 — £85,000	1	—
£90,001 — £95,000	—	1
£100,001 — £105,000	1	—

The Company operates defined-contribution pension and life assurance schemes for directors. The contributions made by the Company in the year amounted to:

	1995	1994
P A Clery	17	17
R M Drayton	11	11
H L Richards	9	9
N M Stephens	5	5
	<u>42</u>	<u>42</u>

Under the Executive Bonus Scheme, the executive directors are entitled to additional remuneration linked to increases in the Group's net asset value and earnings per share.

Lands Improvement Holdings plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1995

	<i>Group</i>		<i>Company</i>	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
10. EMPLOYEES				
Staff costs, including				
Directors, were:				
Wages and salaries	892	504	407	367
Social security costs	79	50	41	37
Other pension costs	77	78	56	71
	<u>1,048</u>	<u>632</u>	<u>504</u>	<u>475</u>

The average number of persons employed, including Directors, was:

	<i>Group</i>		<i>Company</i>	
	1995	1994	1995	1994
	number	number	number	number
Administration and sales	20	15	11	11
Operations	35	8	—	—
	<u>55</u>	<u>23</u>	<u>11</u>	<u>11</u>
			1995	1994
			£'000	£'000

11. TAX ON PROFIT ON ORDINARY ACTIVITIES

Based on the profit for the year

Corporation tax at 33% (1994 — 33%)

Deferred taxation (note 24)

Adjustments in respect of earlier years

	736	676
	13	56
	<u>749</u>	<u>732</u>
	<u>(40)</u>	<u>(10)</u>
	<u>709</u>	<u>722</u>

The taxation charge includes tax on exceptional items as follows:

Profit on disposal of investment

Profit on disposal of investment properties

	—	119
	<u>140</u>	<u>18</u>

The low effective rate of corporation tax is mainly attributable to:

- (i) Indexation allowances on capital gains;
- (ii) Rollover of certain capital gains;
- (iii) Disposal of timber which is exempt from taxation;
- (iv) Utilisation of losses brought forward;

Less (v) Provisions for diminution in value of fixed assets and other disallowable charges.

Lands Improvement Holdings plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1995

	1995	1994
	£'000	£'000
12. DIVIDENDS		
Interim 1.75p (1994 — 1.75p)	434	434
Final 3.00p (1994 — 3.00p)	776	745
	<u>1,210</u>	<u>1,179</u>
Dividend "in specie" payable to deferred shareholders (note 21)	<u>1,124</u>	<u>—</u>

The dividend "in specie" arises on the deferred shares issued as part of the consideration to secure the acquisition of Landmatch plc.

As set out in the circular to shareholders dated 26 July 1995, detailing the offer to acquire Landmatch plc, it was a condition of the acquisition that the Company should acquire the shares held by Landmatch in The River Beaulieu Fishings Company Limited and distribute them to the former Landmatch shareholders. These shares were acquired by the Company from Landmatch for £1,124,000, based on an independent valuation.

The dividend "in specie" is deemed to have value of £1,124,000 and does not represent a cash distribution.

13. EARNINGS PER SHARE

Earnings per share of 9.88p (1994 — 5.21p) have been calculated by reference to earnings attributable to ordinary shareholders of £2,492,000 (1994 — £1,293,000) and to the average number of ordinary shares in issue in 1995 of 25,210,212 (1994 — 24,824,651).

Lands Improvement Holdings plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1995

	<i>Freehold land and buildings £'000</i>
14. TANGIBLE FIXED ASSETS—INVESTMENT PROPERTIES	
Group	
At 1 January 1995	25,878
Additions at cost	3,272
Disposals at valuation	(1,936)
Transfers	39
Development costs written off	(81)
Movement in provisions	2
	<hr/> 27,174
Net surplus on revaluation	3,674
At 31 December 1995	<hr/> <hr/> 30,848
 Company	
At 1 January 1994	3,975
Additions at cost	2,833
Disposals at valuation	(1,070)
Transfers	858
	<hr/> 6,596
	(248)
At 31 December 1995	<hr/> <hr/> 6,348

The historical cost of the Group's investment properties included at valuation is £26,116,000 (1994 — £24,833,000)

The Group's investment properties were valued by the Directors at 31 December 1995 (after taking professional advice) on the basis of their open market value, at £30,848,000 (1994 — £25,744,000). This valuation has been incorporated in the Group's accounts.

The most recent independent professional valuation was carried out by Savills Agricultural & Residential Limited, Chartered Surveyors, at 30 June 1994 on the basis of open market value for existing use, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors.

Lands Improvement Holdings plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1995

	<i>Freehold land and buildings £'000</i>	<i>Plant and machinery £'000</i>	<i>Total £'000</i>
15. TANGIBLE FIXED ASSETS—OTHER			
Group			
Cost:			
At 1 January 1995	2,018	190	2,208
Acquisition of subsidiary companies	11,988	6,273	18,261
Additions	892	1,060	1,952
Disposals	—	(141)	(141)
Transfers	(530)	—	(530)
Provisions	(372)	—	(372)
At 31 December 1995	13,996	7,382	21,378
Depreciation:			
At 1 January 1995	96	84	180
Acquisition of subsidiary companies	831	4,032	4,863
Charge for the year	72	242	314
Disposals	—	(80)	(80)
Transfers	(92)	—	(92)
At 31 December 1995	907	4,278	5,185
Net book value:			
At 31 December 1995	13,089	3,104	16,193
At 31 December 1994	1,922	106	2,028
Company			
Cost:			
At 1 January 1995	1,176	190	1,366
Additions	—	53	53
Disposals	—	(83)	(83)
Transfer to investment properties	(1,130)	—	(1,130)
At 31 December 1995	46	160	206
Depreciation:			
At 1 January 1995	38	84	122
Charge for the year	2	31	33
Disposals	—	(51)	(51)
Transfer to investment properties	(34)	—	(34)
At 31 December 1995	6	64	70
Net book value:			
At 31 December 1995	40	96	136
At 31 December 1994	1,138	107	1,245

Lands Improvement Holdings plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1995

£'000

16. INVESTMENTS

Group

Advances to landowners—

Under rent charges:

At 1 January 1995

34

Redemptions and repayments

(7)

At 31 December 1995

27

Mortgages on properties:

At 1 January 1995

4,527

New loans

449

Provisions

(100)

Redemptions and repayments

(446)

At 31 December 1995

4,430

TOTAL ADVANCES:

At 31 December 1995

4,457

At 31 December 1994

4,561

Other unlisted investments—

Loan to Sutton Bridge Wharfage Company Limited:

At 1 January 1995

355

Repaid

(114)

At 31 December 1995

241

Investment in Southery Potato Storage Limited acquired on purchase of subsidiary

35

276

TOTAL INVESTMENTS:

At 31 December 1995

4,733

At 31 December 1994

4,916

Lands Improvement Holdings plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1995

	<i>Subsidiary undertakings £'000</i>	<i>Other investments £'000</i>	<i>Total £'000</i>
16. INVESTMENTS (continued)			
Company			
Shares at cost:			
At 1 January 1995	100	—	100
Additions	35,128	—	35,128
	35,228	—	35,228
Provision in year	(16,928)	—	(16,928)
	18,300	—	18,300
At 31 December 1995			
Loans:			
At 1 January 1995	27,762	355	28,117
Movements	(34)	(114)	(148)
	27,728	241	27,969
At 31 December 1995			
TOTAL:			
At 31 December 1995	46,028	241	46,269
At 31 December 1994	27,862	355	28,217

Lands Improvement Holdings plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1995

16. INVESTMENTS (continued)

Details of the investments in which the Group or the Company hold more than 10% of the nominal value of any class of share capital are as follows:

	<i>Proportion of ordinary shares and votes held</i>	<i>Nature of business</i>
All held by the Company unless indicated		
SUBSIDIARY UNDERTAKINGS		
The Lands Improvement Company	100%	Mortgage finance
A.L.I.H. (Farms) Limited	100%	Investment property
A.L.I.H. (Properties) Limited	100%	Property trading
Prime Horticultural Properties Limited	100%	Investment property
Loudoun Castle Park Limited	100%	Leisure park
Landmatch Limited (formerly Landmatch plc)	100%	Property trading
Landmatch (L.E.A.) Limited	100%*	Land enhancement
British Field Products Limited	100%	Farming
Weasenham Farms Company Limited	100%*	Farming
Abbey Farms (Sykemouth) Limited	100%*	Farming
Isle Potato Growers Limited	100%*	Storage
Southery Potato Storage Limited	33%*	Storage
Lands Improvement Finance Limited	100%	Loan finance
Agricultural Land Share Investments Limited	100%	Dormant
The Lincolnshire Land Company Limited	100%*	Dormant
Corinium Management (Trustees) Limited	100%	Dormant
Northern Coals Limited	100%	Dormant
L S Beckett Limited	100%*	Dormant
Landmatch Hertfordshire Limited	100%	Dormant
The Feltwell Fen Farms Limited	100%*	Dormant

*Held by subsidiary undertaking

All the above companies are incorporated in England and Wales, with the exception of Loudoun Castle Park Limited which is registered in Scotland, and operate in Great Britain.

Lands Improvement Holdings plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1995

	<i>Group</i>		<i>Company</i>	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
17. STOCKS				
Agricultural properties held for resale	16,947	2,592	5,989	—
Development work in progress	—	44	—	—
Other stocks:				
Livestock	34	—	—	—
Raw materials	301	—	—	—
Work in progress	682	—	—	—
Finished goods	3,995	—	—	—
	<u>21,959</u>	<u>2,636</u>	<u>5,989</u>	<u>—</u>
18. DEBTORS				
Trade debtors	5,432	213	185	90
Other debtors	2,617	3,107	62	500
Prepayments and accrued income	817	65	70	25
ACT recoverable	—	493	578	426
Dividends receivable from subsidiary undertakings	—	—	18,725	1,400
Group relief	—	—	—	287
	<u>8,866</u>	<u>3,878</u>	<u>19,620</u>	<u>2,728</u>
19. CREDITORS				
Amounts falling due within one year:				
Bank overdraft and loans	30,907	365	30,437	322
Finance lease and HP obligations	107	2	2	2
Trade creditors	1,018	87	202	12
Current corporation tax	2,630	999	763	186
Amounts due to subsidiary undertakings	—	—	6	6
Other creditors	485	70	1,385	69
Accruals and deferred income	1,454	229	587	104
Deferred consideration (see note 26)	9,502	—	9,502	—
Dividends payable	1,900	745	1,900	745
	<u>48,003</u>	<u>2,497</u>	<u>44,784</u>	<u>1,446</u>

Lands Improvement Holdings plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1995

	<i>Group</i>		<i>Company</i>	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
20. CREDITORS				
Amounts falling due after more than one year:				
Loan capital -				
6.5% Convertible Subordinated Unsecured Loan Stock 1998	6,754	6,754	6,754	6,754
Finance lease obligations	5	7	5	7
Deferred income- Government grants	54	238	—	238
	<u>6,813</u>	<u>6,999</u>	<u>6,759</u>	<u>6,999</u>

The loan stock is convertible at any time up to and including 30 November 1998 at a rate of £109 nominal value of the stock for 100 ordinary shares of £1 each at the stockholder's option. The loan stock is redeemable at par on 31 December 1998.

	1995	1994
	£'000	£'000
21. SHARE CAPITAL		
Authorised		
35,000,000 ordinary shares of £1 each	35,000	35,000
12,500,000 deferred shares of 0.01p each	1	—
	<u>35,001</u>	<u>35,000</u>
Allotted and fully paid		
25,844,438 ordinary shares of £1 each	25,844	24,825
(1994: 24,824,651 ordinary shares)	1	—
11,857,996 deferred shares of 0.01p each	<u>25,845</u>	<u>24,825</u>

The Company increased the authorised share capital on 14 August 1995 by the creation of 12,500,000 deferred shares of 0.01p each. These shares were created for the purpose of the acquisition of Landmatch plc and carry no voting rights. Each deferred share carries the right to a dividend, limited in amount to £1,000, payable in specie. The aggregate amount payable on the deferred shares as a class, subject to the above limit, is equal to the value of Landmatch's interest in The River Beaulieu Fishings Company Limited ("RBFC"). The deferred shares carry no other right to a dividend in any other circumstance.

The Company issued 1,019,787 ordinary shares of £1 each and 11,857,996 deferred shares of 0.01p each as part of the consideration for the acquisition of Landmatch plc.

Lands Improvement Holdings plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1995

	<i>Share Premium account £'000</i>	<i>Investment property revaluation reserve £'000</i>	<i>Profit and loss account £'000</i>
22. RESERVES			
Group			
At 1 January 1995	131	1,194	3,697
Released on disposal	—	(136)	136
Net surplus on revaluation	—	3,674	—
Goodwill arising on acquisitions	—	—	(1,695)
Retained profit for the year	—	—	1,282
Balance at 31 December 1995	<u>131</u>	<u>4,732</u>	<u>3,420</u>

Cumulative goodwill written off against Group reserves amounted to £1,825,000 (1994—£130,000).

Company			
Balance at 1 January 1995	131	—	2,764
Net deficit on revaluation	—	(248)	—
Retained loss for the year	—	—	(26)
Balance at 31 December 1995	<u>131</u>	<u>(248)</u>	<u>2,738</u>

The profit after taxation for the year of the parent Company was £2,308,000 (1994 — £1,196,000).

	1995 £'000	1994 £'000
23. SHAREHOLDERS' FUNDS		
Non-equity (deferred shares)	1	—
Equity	<u>34,127</u>	<u>29,847</u>
	<u>34,128</u>	<u>29,847</u>

The non-equity interest comprised the deferred shares of 0.01p each. These shares carry no voting rights or rights to any dividend other than the dividend payable in specie (see note 21).

Lands Improvement Holdings plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1995

	<i>Group</i>		<i>Company</i>	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
24. DEFERRED TAXATION				
At 1 January 1995	—	—	—	—
Profit and loss account	13	56	17	76
Acquisition	1,662	—	—	—
	1,675	56	17	76
Advance corporation tax offset	(483)	(56)	(17)	(76)
At 31 December 1995	1,192	—	—	—

Deferred taxation comprises:

	<i>Amounts provided</i>		<i>Amounts not provided</i>	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Group				
Capital allowances	506	177	54	94
Other timing differences	44	110	—	—
Rolled over capital gains	1,412	—	633	357
	1,962	287	687	451
Less: Advance corporation tax	(770)	(287)	—	—
	1,192	—	687	451
Company				
Capital allowances	262	177	54	94
Other timing differences	(70)	2	—	—
Rolled over capital gains	—	—	71	—
	192	175	125	94
Less: Advance corporation tax	192	(175)	—	—
	—	—	125	94

Lands Improvement Holdings plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1995

	1995	1994	
	£'000	£'000	
25. CONSOLIDATED CASH FLOW			
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit	2,783	1,063	
Depreciation	314	92	
Amortisation of deferred grant	(83)	(10)	
Development costs written off	81	—	
Movement on fixed asset provision	370	(100)	
Provision against mortgage loans	100	78	
Increase in stocks	(9,595)	(1,352)	
Decrease in debtors	1,098	615	
Decrease in creditors	(634)	(313)	
Net cash (outflow)/inflow from operating activities	<u>(5,566)</u>	<u>73</u>	
Analysis of changes in cash and cash equivalents during the period			
Balance at 1 January	(358)	157	
Net cash inflow (outflow)	<u>5,864</u>	<u>(515)</u>	
Balance at end of period	<u>5,506</u>	<u>(358)</u>	
	<i>Change in period £'000</i>		
Analysis of the balances of cash and cash equivalents as shown in the balance sheet			
Cash at bank and in hand	6,406	6,413	7
Bank overdraft	(542)	(907)	(365)
	<u>5,864</u>	<u>5,506</u>	<u>(358)</u>
	<i>Share Capital including premium £'000</i>	<i>Loans and finance leases £'000</i>	
Analysis of changes in financing			
At 1 January 1995	24,956	9	
Issue of shares for non-cash consideration	1,020	—	
Net cash inflow from financing	<u>—</u>	<u>31,016</u>	
At 31 December 1995	25,976	31,025	

Lands Improvement Holdings plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1995

26. ACQUISITION OF SUBSIDIARY UNDERTAKINGS

Post-acquisition profits

Acquisitions consist of Landmatch plc which was acquired on 17 August 1995 and British Field Products Limited which was acquired from Royal Insurance plc on 30 November 1995.

The trading results of Landmatch plc and British Field Products Limited for the periods since the date of acquisition, are shown below.

	<i>British Field</i>		
	<i>Total</i>	<i>Products</i>	<i>Landmatch</i>
	<i>1995</i>	<i>Limited</i>	<i>plc</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover	6,217	5,609	608
Cost of sales	(4,822)	(4,248)	(574)
Gross profit	1,395	1,361	34
Administrative and distribution expenses	(231)	(189)	(42)
Other operating income	68	—	68
Operating profit for the period	1,232	1,172	60

Included in British Field Products Limited results are turnover of £3,975,000 and gross profit of £782,000 arising from property trading.

Lands Improvement Holdings plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1995

26. ACQUISITION OF SUBSIDIARY UNDERTAKINGS (continued)

Goodwill arising on acquisition

On 17 August 1995 the Company acquired the entire share capital of Landmatch plc. The assets and liabilities of Landmatch were as follows:

	<i>Initial book value £'000</i>	<i>Fair value adjustments £'000</i>	<i>Fair value £'000</i>
Tangible fixed assets	11	—	11
Shares in The River Beaulieu Fishings Company Limited (see note 12)	1,654	(530)	1,124
Stocks	1,364	287	1,651
Debtors	26	—	26
Cash at bank	2,125	—	2,125
Creditors	(340)	35	(305)
Net separable assets	<u>4,840</u>	<u>(208)</u>	<u>4,632</u>
Cash consideration including expenses			3,081
Shares issued			1,020
Dividend in specie payable (see note 12)			1,124
Goodwill			<u>593</u>

The fair value adjustments comprise:

- (i) Adjustment of investment in subsidiary;
- (ii) Revaluation of land held as trading stock;
- (iii) Release of overprovision for contingent liability.

On 30 November 1995 the Company acquired British Field Products Limited for a total consideration of £30.9m. The assets and liabilities of British Field Products Limited were as follows:

	<i>Initial book value £'000</i>	<i>Fair value adjustments £'000</i>	<i>Fair value £'000</i>
Farmland and buildings	9,951	3,997	13,948
Other tangible fixed assets	2,275	(75)	2,200
Investments	35	100	135
Stocks	3,953	564	4,517
Debtors	8,920	—	8,920
Cash at bank	5,846	—	5,846
Loans and overdrafts	(470)	—	(470)
Creditors	(3,610)	—	(3,610)
Deferred taxation	(1,662)	—	(1,662)
Net separable assets	<u>25,238</u>	<u>4,586</u>	<u>29,824</u>
Cash consideration including expenses			21,424
Deferred consideration payable 31 March 1996			9,502
Goodwill			<u>1,102</u>

The fair value adjustments comprise:

- (i) Revaluation of farmland and other tangible fixed assets;
- (ii) Adjustment of investment in subsidiary;
- (iii) Revaluation of farm stocks.

Lands Improvement Holdings plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1995

26. ACQUISITION OF SUBSIDIARY UNDERTAKINGS (continued)

Effect of acquisitions on cash flow

The cash and cash equivalents arising from acquisitions in 1995 were:

	£'000
Cash consideration Landmatch plc	3,081
Cash consideration British Field Products Limited	<u>21,424</u>
	24,505
Cash balances of acquired subsidiaries	<u>7,501</u>
Net outflow of cash and cash equivalents	<u><u>17,004</u></u>

Results of Landmatch plc before and after acquisition

Consolidated profit after taxation

	£'000
12 months to 31 March 1995	114
4½ months to 17 August 1995	269
4½ months to 31 December 1995	<u><u>46</u></u>

Results of British Field Products Limited before and after acquisition

Consolidated profit after taxation

	£'000
12 months to 31 March 1995	2,485
8 months to 30 November 1995	1,753
1 month to 31 December 1995	<u><u>1,016</u></u>

27. CAPITAL COMMITMENTS

	1995	1994
	£'000	£'000
Capital expenditure authorised and contracted for	47	339
Capital expenditure authorised and not contracted for	—	271
Mortgage loan commitments	<u>—</u>	<u>448</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1995

28. OTHER FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases were as follows:

	<i>Land and buildings</i>		<i>Other</i>	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Group				
Operating leases which expire:				
in less than one year	81	35	—	—
between one and five years	164	—	3	3
after five years	15	—	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
Company				
Operating leases which expire:				
in less than one year	—	35	—	—
between one and five years	18	—	3	3
after five years	—	—	—	—
	<hr/>	<hr/>	<hr/>	<hr/>

29. CONTINGENT LIABILITY

The Company has given a cross-guarantee in favour of National Westminster Bank PLC on behalf of certain other Group undertakings to secure all monies from time to time owing to the said bank by the other Group undertakings.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1995

30. PENSION SCHEMES

The contribution to the Company's defined contribution pension schemes amounted to £56,000 (1994 — £71,000).

For the British Field Products Limited defined benefit scheme, contributions to the scheme are determined by an independent actuary, on the basis of triennial valuations using the Projected Unit method. The charge to profit and loss account for regular pension costs has been calculated so as to spread the cost of pensions over employees' working lives with the Group in the light of normal actuarial assumptions.

The latest actuarial valuation of the scheme was at 1 June 1995 and showed that the calculated regular contribution rate in respect of pension benefits was 12.8% of Pensionable Salaries (inclusive of members' contributions). The principal assumptions were the valuation rate of interest of 8.5% p.a. and Pensionable Salary growth of 7% p.a.

The assets of the British Field Products Limited Scheme are held under a grouped funding policy. An insurance policy such as this has no recognisable "market" value. At the valuation date, a notional value of £4,798,100 has been calculated as the cost (net of expenses) of purchasing the equivalent deferred annuities secured under the group policy. This value should not be confused with the Discontinuance Surrender Value which would be based on market rates of interest at the date of surrender and could be considerably lower.

The actuarial value of the assets represented 100% of the accrued benefits based on Pensionable Salaries projected to Normal Retirement Age or the date of earlier withdrawal. At the valuation date there was no deficiency on a current funding level basis.

The charge for pension scheme costs in the accounts of British Field Products Limited representing regular costs including life assurance charges, amounted to £245,000 for the nine months to 31 December 1995.