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Letchworth Garden City Farms Limited

Report and Accounts

30 SEPTEMBER 1998



ERNST & YOUNG

Letchworth Garden City Farms Limited

Registered No. 3082251

DIRECTORS

E Lyall CBE (Chairman)
S M Kenny
P Franklin

SECRETARY

H A Patterson

AUDITORS

Ernst & Young
400 Capability Green
Luton
Bedfordshire
LU1 3LU

BANKERS

Midland Bank Plc
Station Place
Letchworth Garden City
Hertfordshire
SG6 3AJ

REGISTERED OFFICE

Suite 401
Spirella Building
Bridge Road
Letchworth Garden City
Hertfordshire
SG6 4ET

Letchworth Garden City Farms Limited

DIRECTORS' REPORT

The directors present their report and the accounts for the year ended 30 September 1998.

RESULTS AND DIVIDENDS

The profit on ordinary activities before and after taxation for the year amounted to £nil (1997: loss £1,000).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is that of farming.

The directors consider the result for the year to be satisfactory.

FIXED ASSETS

The changes in fixed assets during the year are summarised in note 9.

DIRECTORS AND THEIR INTERESTS

The directors listed on page 2, served throughout the year ended 30 September 1998 and to the date of this report.

None of the directors had a beneficial interest in the share capital of the company during the year.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The company makes no political contributions, nor does it support either directly or indirectly any political organisation.

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The company is well advanced in the phase of assessing the risks to our business resulting from the date change to the Year 2000. Once this phase is completed we can assess the likely impact on our activities and develop prioritised action plans to deal with the key risks.

The total cost of the scheduled replacement of computer systems is dealt with in the accounts of the ultimate parent undertaking, Letchworth Garden City Heritage Foundation.

Letchworth Garden City Farms Limited

DIRECTORS' REPORT

AUDITORS

Ernst & Young have expressed their willingness to continue in office and a resolution proposing their re-appointment will be put to the members at the Annual General Meeting.

By order of the board



Secretary

2 March 1999

Letchworth Garden City Farms Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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; and
- 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.

REPORT OF THE AUDITORS
to the members of Letchworth Garden City Farms Limited

We have audited the accounts on pages 7 to 13, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

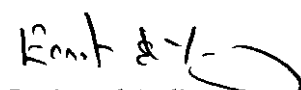
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 30 September 1998 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Registered Auditor
Luton

2 March 1999

Letchworth Garden City Farms Limited

PROFIT AND LOSS ACCOUNT for the year ended 30 September 1998

	<i>Notes</i>	<i>1998 £'000</i>	<i>1997 £'000</i>
TURNOVER	2	984	957
OPERATING COSTS	3	(1,012)	(972)
Other operating income		8	–
OPERATING LOSS		(20)	(15)
Interest receivable	6	26	14
Interest payable	7	(6)	–
PROFIT/(LOSS) BEFORE AND AFTER TAXATION	15	–	(1)

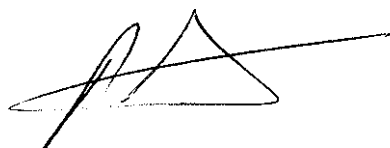
All income and profits are derived from the continuing of the company. There are no recognised gains or losses other than the result for the year of £nil (1997: loss £1,000).

Letchworth Garden City Farms Limited

BALANCE SHEET at 30 September 1998

	Notes	1998 £'000	1997 £'000
FIXED ASSETS			
Tangible assets	9	245	233
CURRENT ASSETS			
Stocks	10	626	667
Debtors	11	133	236
Cash at bank and in hand		653	118
		1,412	1,021
CREDITORS: amounts falling due within one year	12	(494)	(142)
NET CURRENT ASSETS		918	879
TOTAL ASSETS LESS CURRENT LIABILITIES		1,163	1,112
CREDITORS: amounts falling due after more than one year	13	(51)	—
		1,112	1,112
CAPITAL AND RESERVES			
Called up share capital	14	1,100	1,100
Profit and loss account	15	12	12
Equity shareholders' funds		1,112	1,112

The accounts were approved by the board of directors on 2 March 1999.



Letchworth Garden City Farms Limited

NOTES TO THE ACCOUNTS

at 30 September 1998

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Cash flow statement

No cash flow statement has been prepared as the company is exempt, under FRS 1 (Revised), being a wholly owned subsidiary of a parent undertaking established in the EU which prepares a consolidated cash flow statement.

Fixed assets

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life as follows:

Building improvement	-	10%
Tractors, machinery and major equipment	-	20%
Office equipment	-	20%
Furniture, fittings and other equipment	-	10%

Stocks

Farm stocks are valued at the lower of cost and net realisable value. For crops, cost is calculated as the estimated cost of production determined by professional third party valuation.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest element of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. The turnover and profit on ordinary activities before taxation are attributable to the principal continuing activity as described on page 3 and all arises in the United Kingdom.

Letchworth Garden City Farms Limited

NOTES TO THE ACCOUNTS at 30 September 1998

3. OPERATING COSTS

Operating costs comprise:	1998 £'000	1997 £'000
Depreciation of owned fixed assets	72	55
Depreciation of assets held under finance leases and hire purchase contracts	17	—
Profit on sale of owned fixed assets	(4)	(2)
Hire of plant and machinery	—	18
Operating lease rental - land and buildings	140	140
Auditors' remuneration	5	5
Other operating costs	782	756
	<u>1,012</u>	<u>972</u>

4. EMPLOYEES

The company has no employees other than the directors. All labour services are provided by employees of the parent undertaking and under a share farming arrangement with an independent farming company.

5. DIRECTORS' REMUNERATION

None of the directors who served during the year, all of whom are directors or officers of the parent undertaking, received any remuneration from the company.

6. INTEREST RECEIVABLE

	1998 £'000	1997 £'000
Bank deposit interest	26	14
	<u>26</u>	<u>14</u>

7. INTEREST PAYABLE

	1998 £'000	1997 £'000
Finance charges payable under finance leases and hire purchase contracts	6	—
	<u>6</u>	<u>—</u>

8. TAXATION

When taxable profits arise the company enters into Deeds of Covenant with its charitable parent undertaking, Letchworth Garden City Heritage Foundation, which are treated as an allowable deduction against the taxable profit of the company and as a consequence no liability to corporation tax arises.

Letchworth Garden City Farms Limited

NOTES TO THE ACCOUNTS at 30 September 1998

9. TANGIBLE FIXED ASSETS

	<i>Land and buildings £'000</i>	<i>Plant machinery and equipment £'000</i>	<i>Vehicles £'000</i>	<i>Total £'000</i>
Cost or valuation:				
At 30 September 1997	30	286	18	334
Additions	—	95	11	106
Disposals	—	(4)	(4)	(8)
At 30 September 1998	30	377	25	432
Depreciation:				
At 30 September 1997	6	91	4	101
Provided during the year	2	83	4	89
Disposals	—	(1)	(2)	(3)
At 30 September 1998	8	173	6	187
Net book value:				
At 30 September 1998	22	204	19	245
At 30 September 1997	24	195	14	233

Included within plant, machinery and equipment is a gross amount of £84,000 and accumulated depreciation of £17,000 in respect of assets held under finance leases and hire purchase contracts.

10. STOCKS

	<i>1998 £'000</i>	<i>1997 £'000</i>
Farms stocks	626	667

11. DEBTORS

	<i>1998 £'000</i>	<i>1997 £'000</i>
Trade debtors	77	22
Amounts owed by parent undertakings	—	118
VAT recoverable	24	79
Other debtors	9	9
Income tax recoverable	17	6
Prepayments and accrued income	6	2
	133	236

Letchworth Garden City Farms Limited

NOTES TO THE ACCOUNTS at 30 September 1998

12. CREDITORS: amounts falling due within one year

	1998 £'000	1997 £'000
Amounts owed to parent undertaking	267	—
Bank overdraft	—	13
Trade creditors	96	49
Other creditors and accruals	118	80
Obligations under finance leases and hire purchase contracts	13	—
	<u>494</u>	<u>142</u>

13. CREDITORS: amounts falling due in more than one year

	1998 £'000	1997 £'000
Obligations under finance leases and hire purchase contracts	<u>51</u>	<u>—</u>

The maturity of obligations under finance leases and hire purchases contracts is as follows:

	1998 £'000	1997 £'000
Amounts payable:		
Within one year	20	—
In two to five years	60	—
	<u>80</u>	<u>—</u>
Less: finance charges allocated to future periods	16	—
	<u>64</u>	<u>—</u>
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations (note 12)	13	—
Non-current obligations	51	—
	<u>64</u>	<u>—</u>

14. SHARE CAPITAL

	1998 No(000)	Authorised 1997 No(000)	Allotted, called up and fully paid 1998 £'000	1997 £'000
Ordinary shares of £1 each	<u>1,100</u>	<u>1,100</u>	<u>1,100</u>	<u>1,100</u>

Letchworth Garden City Farms Limited

NOTES TO THE ACCOUNTS at 30 September 1998

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Called up share capital £'000</i>	<i>Profit and loss account £'000</i>	<i>Total shareholders' funds £'000</i>
At 30 September 1996	1,100	13	1,113
Loss for the year	—	(1)	(1)
At 30 September 1997 and 1998	1,100	12	1,112

16. FINANCIAL COMMITMENTS

Operating leases

Annual commitments under non-cancellable operating leases in respect of land and buildings are as follows:

	<i>1998 £'000</i>	<i>1997 £'000</i>
Operating leases which expire:		
Within one year	140	140

17. CONTINGENT LIABILITY

The company has provided an unlimited guarantee to the parent undertaking in respect of its £8 million non-revolving loan facility.

18. PARENT UNDERTAKING

The company's parent undertaking of the largest and smallest group of undertakings for which group accounts are drawn up and of which the company is a member is Letchworth Garden City Heritage Foundation, an Industrial and Provident Society with charitable status, registered in England and Wales, which owns 100% of the issued share capital. Copies of these group accounts are available from the registered office address on page 2.

19. RELATED PARTY TRANSACTIONS

As the company is a 100% owned subsidiary of a parent which prepares consolidated accounts that are publicly available, no disclosures have been made in respect of transactions with entities that are part of the group. There are no other related party transactions that require disclosure.