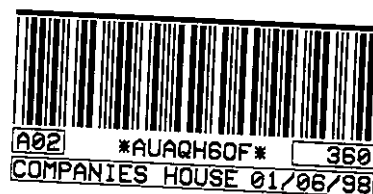


A.J. FORSTER & SONS LIMITED

**STATUTORY FINANCIAL STATEMENTS**

For the Year Ended  
31st August 1997

Company No. 02129649



## A.J. FORSTER & SONS LIMITED

### Directors' Report

The Directors present their report and financial statements for the year ended 31st August 1997.

1. Principal Activities of the Company

The Company's principal activities during the year were those of Dairymen and Farmers.

2. Review of the Business

During the year the company sold its dairy operation resulting in a profit on disposal of £320,315. The continuing farming operation produced a pre-tax profit of £147,748 and is expected to trade profitably in the future.

3. Dividends and Transfer to Reserves

The Profit and Loss Account for the year is set out on page 4. A profit of £399,934 (1996:£82,078) has been transferred to reserves.

The Directors recommend that no dividend be paid for the year.

4. Fixed Assets

The Directors believe that the market value of the Company's freehold land and buildings is worth significantly more than its cost shown in the accounts. The movements in fixed assets during the year are set out in Note 9 to the accounts.

5. Directors

The Directors who served the Company throughout the year and their holdings of shares were as follows:-

	<u>Ordinary Shares of £1 each</u>	
	<u>31/8/97</u>	<u>31/8/96</u>
Mr A.J. Forster	25,000	25,000
Mrs C.M. Forster	25,000	25,000
Mr M.A. Forster	25,000	25,000
Mr R.D. Forster	25,000	25,000

6. Statements of Directors' Responsibilities

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 of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:-

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

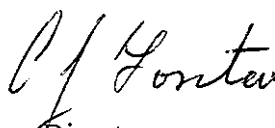
A.J. FORSTER & SONS LIMITEDDirectors' Report continued6. Statements of Directors' Responsibilities continued

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 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.

7. Auditors

A resolution to re-appoint N.T. O'Reilly and Partners as Auditors will be proposed at the forthcoming Annual General Meeting.

Approved and signed on  
behalf of the board on 27<sup>th</sup> May 1998

  
Director

### AUDITORS' REPORT TO THE SHAREHOLDERS OF A.J. FORSTER & SONS LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

#### Respective Responsibilities of Directors and Auditors

As described on pages 1 and 2 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 misstatements, 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<sup>st</sup> August 1997 and of its profit for the year then ended and have been properly prepared in accordance with Companies Act 1985



**N.T. O'REILLY & PARTNERS**

Registered Auditor and Chartered Accountants

Ullswater House  
Duke Street  
Penrith  
Cumbria  
CA11 7LY

27<sup>th</sup> May 1998

A.J. FORSTER & SONS LIMITED

Profit and Loss Account  
for the Year Ended 31<sup>st</sup> August 1997

	<u>Note</u>	<u>1997</u>	<u>1996</u>
Turnover	2	6,074,895	5,212,696
Cost of Sales		(5,502,664)	(4,664,942)
<u>Gross Profit</u>		572,231	547,754
Distribution Costs		(184,381)	(145,861)
Administrative Expenses		(248,929)	(228,807)
<u>Operating Profit</u>		138,921	173,086
Profit on Sale of Fixed Assets		15,181	1,969
Profit on Disposal of Operations		320,315	-
<u>Profit on Ordinary Activities Before Interest</u>		474,417	175,055
Interest Payable and Similar Charges	6	(54,632)	(65,449)
<u>Profit on Activities Before Taxation</u>	7	419,785	109,606
Tax on Profit on Ordinary Activities	8	(19,851)	(27,528)
<u>Profit on Ordinary Activities After Taxation</u>		399,934	82,078
Profit and Loss Account Brought Forward	19	1,294,170	1,212,092
<u>Profit and Loss Account Carried Forward</u>	19	£1,694,104	£1,294,170

Continuing Operations

No activities were acquired during the above two financial years.

During year ended 31<sup>st</sup> August 1997 the dairy operation was disposed of. The analysis between continuing and discontinuing operations is given in Note 3 to the Accounts.

Total Recognised Gains and Losses

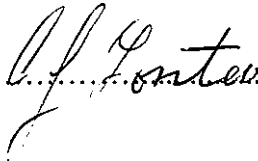
There were no recognised gains or losses other than the profit or loss for the above two financial years.

The notes on pages 7 to 13 form part of these financial statements.

A.J. FORSTER & SONS LIMITEDBalance Sheet as at 31st August 1997

	<u>Note</u>	<u>1997</u>	<u>1996</u>
<u>Fixed Assets</u>			
Tangible Assets	9	2,031,256	2,242,786
Investments	10	<u>1,677</u>	<u>1,677</u>
		2,032,933	2,244,463
<u>Current Assets</u>			
Stocks	11	25,300	460,716
Debtors : amounts falling due within one year	12	614,470	251,426
Debtors : amounts falling due after more than one year	13	154,000	-
Cash at Bank and In Hand		<u>95,331</u>	<u>13</u>
		889,101	712,155
<u>Creditors: amounts falling due within one year:-</u>			
Bank Loans and Overdrafts	14	128,914	362,194
Trade Creditors		403,592	493,667
Other Creditors Including Taxation and Social Security	15	312,336	320,056
Accruals and Deferred Income		<u>18,188</u>	<u>8,500</u>
		(863,030)	(1,184,417)
<u>Net Current Assets (Liabilities)</u>		<u>26,071</u>	<u>(472,262)</u>
<u>Total Assets Less Current Liabilities</u>		2,059,004	1,772,201
<u>Creditors: amounts falling due after more than one year</u>			
	16	(219,500)	(321,031)
Provisions for Liabilities and Charges	17	<u>(45,400)</u>	<u>(57,000)</u>
		<u>£1,794,104</u>	<u>£1,394,170</u>
<u>Capital and Reserves</u>			
Called-Up Share Capital	18	100,000	100,000
Profit and Loss Account	19	<u>1,694,104</u>	<u>1,294,170</u>
Shareholders' Funds		<u>£1,794,104</u>	<u>£1,394,170</u>

These financial statements were approved by the Board of Directors on 27<sup>th</sup> May 1998

.....  ..... A.J. Forster, Director.

The notes on pages 7 to 13 form part of these financial statements.

A.J. FORSTER & SONS LIMITEDCash Flow Statement for the Year Ended 31st August 1997

	<u>Note</u>	<u>1997</u>	<u>1996</u>
Cash Flow from operating activities	21 (i)	561,789	358,631
Returns on investments and servicing of finance	21 (ii)	(45,968)	(65,449)
Taxation		(32,516)	(48,292)
Capital expenditure and financial investment	21 (iii)	(167,176)	(366,700)
Acquisitions and disposals	21 (iv)	<u>114,000</u>	<u>-</u>
<u>Cash inflow/(outflow) before use of liquid resources and financing</u>		430,129	(121,810)
<u>Management of Liquid Resources</u>			
Financing	21 (vi)	(334,811)	<u>101,755</u>
<u>Increase/(decrease) in cash in the period</u>	21 (v)	<u>£ 95,318</u>	<u>£ (20,055)</u>

A.J. FORSTER & SONS LIMITED

Notes to the Accounts  
Year Ended 31st August 1997

1. Accounting Policies

The financial statements have been prepared in accordance with statements of standard accounting practice (S.S.A.P.'s) and Financial Reporting Standards (F.R.S.'s) issued by U.K. accountancy bodies. The particular accounting policies adopted are:-

a) Accounting Convention

The financial statements are prepared under the historical cost convention.

b) Tangible Fixed Assets

Depreciation is not provided on freehold land and buildings. Properties are maintained to ensure that their value does not diminish over time. The maintenance costs are charged to profit and loss in the year incurred. In the directors' opinion, depreciation would be immaterial and has not been charged. On other assets depreciation is provided on cost over the estimated useful life of the assets. The rates of depreciation are calculated as follows:

Pig & Poultry Houses	- 10% per annum straight line basis
Farm & Implements	- 15% per annum reducing balance
Farm Plant & Machinery	- 25% per annum reducing balance
Tractors & Vehicles	- 25% per annum reducing balance

c) Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

d) Stocks

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

e) Deferred Taxation

Deferred taxation is the taxation attributable to timing differences between profits computed for taxation purposes and profits as stated in the financial statements. Provision is made for deferred taxation under the liability method in these financial statements to the extent that a charge is expected to crystallise in the foreseeable future.

f) Pension Costs

The Company operates a defined contribution scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.



A.J. FORSTER & SONS LIMITED

Notes to the Accounts  
For the Year Ended 31st August 1997

2. Turnover

Turnover is the amount derived from the continuing principal activities of the Company which all arose in the United Kingdom after deduction of value added tax. An analysis of turnover is not to be given as disclosure of this information would, in the opinion of the Directors be seriously prejudicial to the interests of the Company.

3. On 6<sup>th</sup> May 1997 the company disposed of the dairy operation, but will continue the farming business. An analysis of continuing and discontinuing operations is as follows:-

	<u>1997</u>		<u>1996</u>	
	<u>Continuing</u>	<u>Discontinuing</u>	<u>Continuing</u>	<u>Discontinuing</u>
Turnover	5,541,115	533,780	4,387,380	825,316
Cost of Sales	(5,034,436)	(468,228)	(4,002,194)	(662,748)
<u>Gross Profit</u>	506,679	65,552	385,186	162,568
Distribution Costs	(168,402)	(15,979)	(109,499)	(36,362)
Administration Expenses	(152,410)	(96,519)	(143,658)	(85,149)
<u>Operating Profit/(Loss)</u>	185,867	(46,946)	132,029	41,057
Profit on Sale of Fixed Assets	15,181	-	-	1,969
Profit on Disposal of Operations	-	320,315	-	-
<u>Profit on Ordinary Activities Before Interest</u>	201,048	273,369	132,029	43,026
Interest Payable and Similar Charges	(54,300)	(332)	(65,003)	(446)
<u>Profit on Ordinary Activities Before Taxation</u>	<u>£ 146,748</u>	<u>£ 273,037</u>	<u>£ 67,026</u>	<u>£ 42,580</u>

4. Exceptional Item - Profit on Disposal of Operations

On 2<sup>nd</sup> May 1997 the company disposed of the dairy operation for a total consideration of £362,000. This has resulted in a profit on disposal of £320,315. The chargeable gain arising from this disposal is being rolled over into the cost of acquiring new poultry housing in the farming operation.

5. Information Regarding Directors and Employees

	<u>1997</u>	<u>1996</u>
a) <u>Directors</u>		
Directors Emoluments	139,870	131,465
Company contributions to money purchase pension scheme	6,000	6,000
	<u>£145,870</u>	<u>£137,465</u>
<u>Number of Directors in Company Pension Schemes</u>	<u>No.</u>	<u>No.</u>
Money Purchase Scheme	<u>2</u>	<u>2</u>

A.J. FORSTER & SONS LIMITED

Notes to the Accounts  
for the Year Ended 31st August 1997

5. Information Regarding Directors and Employees continued

b) <u>Employees</u>	<u>1997</u>	<u>1996</u>
Employee Costs including Directors during the year:-		
Wages and Salaries	366,165	317,141
Social Security Costs	25,193	33,346
Other Pension Costs : Defined Contribution Scheme	32,276	35,206
	<u>£423,634</u>	<u>£385,693</u>
Average number of persons employed:-	<u>No.</u>	<u>No.</u>
Production	15	18
Office and Management	<u>4</u>	<u>4</u>
	<u>19</u>	<u>22</u>

6. Interest Payable and Similar Charges

	<u>1997</u>	<u>1996</u>
Bank Overdrafts repayable within 5 years not by instalments	11,949	16,794
Bank Loans repayable within 5 years by instalments	41,349	47,059
Other Loans	<u>1,334</u>	<u>1,596</u>
	<u>£54,632</u>	<u>£65,449</u>

7. Profit on Ordinary Activities Before Taxation

	<u>1997</u>	<u>1996</u>
Profit on Ordinary Activities Before Taxation is stated after charging:-		
Depreciation on Tangible Owned Fixed Assets	£359,347	£345,484
Auditors Remuneration - audit fee	£ 6,000	£ 6,000
other services	£ 3,350	£ 2,250

8. Tax on Profit on Ordinary Activities

	<u>1997</u>	<u>1996</u>
Tax is charged on the Profits		
at the Rate of 22.7% (1996 24.6%)	31,473	32,500
Tax on Franked Investment Income	44	28
Deferred Taxation Credit	(11,600)	(5,000)
Over Provision for Prior Year	<u>(66)</u>	<u>-</u>
	<u>£19,851</u>	<u>£27,528</u>

A.J. FORSTER & SONS LIMITED

Notes to the Accounts  
for the Year Ended 31<sup>st</sup> August 1997

9. Tangible Fixed Assets

	<u>Freehold Land and Buildings</u>	<u>Pig &amp; Poultry Houses</u>	<u>Plant &amp; Machinery</u>	<u>Motor Vehicles</u>	<u>Total</u>
<u>Cost</u>					
At 1st September 1996	650,003	2,535,567	695,552	291,662	4,172,784
Additions	4,814	37,098	72,725	113,080	227,717
Disposals	(4,878)	-	(102,857)	(104,084)	(211,819)
At 31st August 1997	<u>£649,939</u>	<u>£2,572,665</u>	<u>£665,420</u>	<u>£300,658</u>	<u>£4,188,682</u>
<u>Depreciation</u>					
At 1st September 1996	-	1,260,343	526,198	143,457	1,929,998
Charge for the Year	-	257,267	47,920	54,160	359,347
Disposals	-	-	(72,484)	(59,435)	(131,919)
At 31st August 1997	<u>-</u>	<u>£1,517,610</u>	<u>£501,634</u>	<u>£138,182</u>	<u>£2,157,426</u>
<u>Net Book Value</u>					
At 31st August 1997	<u>£649,939</u>	<u>£1,055,055</u>	<u>£163,786</u>	<u>£162,476</u>	<u>£2,031,256</u>
At 31st August 1996	<u>£650,003</u>	<u>£1,275,224</u>	<u>£169,354</u>	<u>£148,205</u>	<u>£2,242,786</u>

10. Fixed Asset Investments

	<u>1997</u>	<u>1996</u>
Investments other than loans - unlisted:		
Cost at 1 <sup>st</sup> September 1996 and 31 <sup>st</sup> August 1997	<u>£1,677</u>	<u>£1,677</u>

11. Stocks

	<u>1997</u>	<u>1996</u>
Goods for Resale	20,000	441,116
Consumable Stores	<u>5,300</u>	<u>19,600</u>
	<u>£25,300</u>	<u>£460,716</u>

12. Debtors : amounts falling due within one year:

	<u>1997</u>	<u>1996</u>
Trade Debtors	480,604	211,707
Other Debtors	124,998	20,208
Prepayments and Accrued Income	<u>8,868</u>	<u>19,511</u>
	<u>£614,470</u>	<u>£251,426</u>

13. Debtors : amounts falling due after more than one year

	<u>1997</u>	<u>1996</u>
Other Debtors	<u>£154,000</u>	<u>-</u>

14. Bank Loans and Overdrafts

The bank loans and overdrafts are secured by fixed charges over the company's land and buildings.

A.J. FORSTER & SONS LIMITEDNotes to the Accounts  
for the Year Ended 31<sup>st</sup> August 199715. Other Creditors Including Taxation and Social Security

	<u>1997</u>	<u>1996</u>
Taxation and Social Security	39,085	45,916
Directors' Loan Accounts	<u>273,251</u>	<u>274,140</u>
	<u>£312,336</u>	<u>£320,056</u>

Directors' Loans Accounts are interest free and repayable on demand.

16. Creditors : amounts falling due after more than one year:-

	<u>1997</u>	<u>1996</u>
Bank Loans	200,000	300,000
Building Society Mortgage	<u>19,500</u>	<u>21,031</u>
	<u>£219,500</u>	<u>£321,031</u>

Bank Loans and Building Society Mortgage

Bank loans and building society mortgage are repayable as follows:

	<u>1997</u>	<u>1996</u>
Between two and five years by instalments	200,00	300,000
Between two and five years not by instalments	<u>19,500</u>	<u>21,031</u>
	<u>£219,500</u>	<u>£321,031</u>

The Bank Loan is repayable by quarterly instalments of £25,000 and will be repaid on 3<sup>rd</sup> June 2000. Interest is charged at 10.76% per annum. The Building Society mortgage is repayable in August 1999 and interest is charged at 8.45% per annum. Both loans are secured by fixed charges over the company's land and buildings.

17. Provisions for Liabilities and ChargesDeferred Taxation

## (i) Movement in year:-

At 1st September 1996	57,000
Credit for year	(11,600)
At 31 <sup>st</sup> August 1997	<u>£45,400</u>

## (ii) Provisions at Year End:-

The amounts of deferred taxation provided in the Accounts are:-

	<u>Provided</u>	<u>Unprovided</u>		
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
Capital Allowances in Excess of Depreciation	<u>£45,400</u>	<u>£57,000</u>	<u>£ -</u>	<u>£ -</u>

A.J. FORSTER & SONS LIMITEDNotes to the Accounts  
for the Year Ended 31<sup>st</sup> August 199718. Called-Up Share Capital

	<u>1997</u>	<u>1996</u>
Authorised:-		
100,000 Ordinary Shares of £1 each	<u>£100,000</u>	<u>£100,000</u>
Allotted, Called-up and Fully Paid:-		
100,000 (1996-100,000) Ordinary Shares of £1 each	<u>£100,000</u>	<u>£100,000</u>

19. Reserves and Reconciliation of Movements in Shareholders' Funds

	<u>Profit &amp; Loss Account</u>	<u>Share Capital</u>	<u>Shareholders' Funds</u>
Balance at 1st September 1996	1,294,170	100,000	1,394,170
Retained Profit for the year	<u>399,934</u>	-	<u>399,934</u>
Balance at 31st August 1997	<u>£1,694,104</u>	<u>£100,000</u>	<u>£1,794,104</u>

20. Capital Commitments

At 31<sup>st</sup> August 1997 there were no capital commitments contracted for.

21. Notes on the cash flow statement

	<u>1997</u>	<u>1996</u>
(i) <u>Reconciliation of operating profit to operating cashflows</u>		
Operating profit	474,417	175,055
Depreciation	359,347	345,484
Profit on sale of Tangible Fixed Assets	(15,181)	(1,969)
Decrease(increase)in Stocks	435,416	(444,865)
(Increase)/decrease in Debtors	(269,044)	316,326
Decrease in Creditors	(102,851)	(31,400)
Profit on sale of dairy operation	<u>(320,315)</u>	-
Net cash inflow from operating activities	<u>£561,789</u>	<u>£358,631</u>

Analysis of amounts shown net in the cash flow statement(ii) Returns on investments and servicing of finance

Interest paid	<u>(45,968)</u>	<u>(65,449)</u>
Net cash outflow for returns on investments and servicing of finance	<u>£(45,968)</u>	<u>£(65,449)</u>

A.J. FORSTER & SONS LIMITEDNotes to the Accounts  
for the Year Ended 31<sup>st</sup> August 199721. Notes on the cash flow statement continued

	<u>1997</u>	<u>1996</u>
(iii) <u>Capital expenditure and financial investment</u>		
Purchase of tangible fixed assets	(220,572)	(371,950)
Sale of tangible fixed assets	<u>53,396</u>	<u>5,250</u>
	<u>£(167,176)</u>	<u>£(366,700)</u>
(iv) <u>Acquisition and disposals</u>		
Total proceeds of sale of dairy operation	362,000	-
To be paid by instalments	(238,000)	-
Held on deposit	<u>(10,000)</u>	<u>-</u>
	<u>£114,000</u>	<u>-</u>
(v) <u>Management of liquid resources</u>		
Net increase/(decrease) in short term deposits	<u>95,318</u>	<u>(20,055)</u>
Net cash inflow/(outflow) from management of liquid resources	<u>£95,318</u>	<u>£(20,055)</u>
(vi) <u>Financing</u>		
Net (decrease)/increase in overdraft	(234,780)	201,644
Repayment of long term loan	(100,000)	(100,000)
Building Society Mortgage (repaid)/advance	<u>(31)</u>	<u>111</u>
	<u>£(334,811)</u>	<u>£101,755</u>