

WRITTEN EXAMINATION

PAPER II

9th NOVEMBER 2000

10.45am – 12.45pm

Time Allowed - 2 Hours

Instructions to Candidates:

1. Complete the Green Examination Information Sheet by stating your examination reference number (not your name) together with the area in which you are practising and the local Association of which you are a member. Attach the green sheet to the top of your answer pad and circle the number of the three questions that you have answered.
2. Write your reference number (not your name) on each page. Number each page in the top right hand corner.
3. Write on one side of the paper only, leaving the margin on the left hand side.
4. Start each answer on a separate sheet and place your answers in numerical order.
5. Time has been allowed for you to read through the Question Paper **AND PLAN** your answers.
6. You should attempt to answer **three** out of the five questions, listing them on the green sheet.
7. All questions carry equal marks (20) .
8. Questions are framed so as to minimise the need to make assumptions but state clearly any that you do make and the reasons for them.
9. Where appropriate, you will be expected to state the relevant Act, Statutory Instrument or case upon which you have based your answers.
10. You may use imperial or metric measurements in your answers. Please indicate which units you are using.
11. The presentation and clarity of your answers is important.

QUESTION 1

As agent for the landlord, you have received from John Smith, the tenant of Grange Farm, a Notice to Quit to expire on 25th March 2001. Grange Farm consists of 140 hectares of Grade 4 permanent pasture and has always been farmed under a beef and sheep system. There is a substantial six-bedroomed farmhouse on the holding which was last modernised 30 years ago when John Smith took over from his parents. There is also a range of traditional stone and slate buildings of 280 sq m, 650 sq m of portal framed livestock buildings which were erected in 1985 and an area of wetland which is a Site of Special Scientific Interest.

Grange Farm is situated within a National Park where there is plenty of opportunity for leisure-based activities.

You believe that, in the present agricultural climate, there is little point in re-letting the farm as a whole since it is unlikely to be economically viable. As the farm is ventral to the Estate your client does not wish to sell. Substantial funds are available although a good return on capital must be demonstrated before any expenditure can be authorised. You have taken the view that the farmland should be let to a neighbouring tenant and the farmhouse should be let separately. The traditional buildings and modern clear-span buildings have potential for alternative use.

In order to advise your client, prepare a briefing note to include your proposals and the rationale behind them identifying the risks, shortcomings and benefits in relation to:

- (a) The farmhouse
- (b) The farmland
- (c) The traditional buildings and the modern clear-span buildings.

QUESTION 2

You have recently been instructed to act for the landlord of a 100 hectare holding. The farm, which is let under the provisions of the 1986 Agricultural Holdings Act, with the model repairing clauses and an obligation to reside in the farmhouse, shows signs of neglect with lack of maintenance to the house and traditional buildings. Fencing is in disrepair, hedges and ditches have not been maintained and much of the land is heavily weed infested.

The sole tenant is 60 years old and has recently purchased and moved into a retirement bungalow. He farms in partnership with his son who has moved into the farmhouse.

Write a clear concise letter to your client advising him on what action should be taken and what formal procedures could be pursued to correct the situation.

QUESTION 3

A new client telephones, seeking advice regarding potential CGT liability were he to sell his farm. You establish that the farm is 200 hectares and owner occupied.

You write in confirmation of instructions and to arrange a preliminary meeting.

Prepare a file note of:

1. The information you will seek at the meeting in order to advise.
2. The potential allowances and reliefs that might be available.

QUESTION 4

Ivor Hadenough, your 62 year old client, is the owner-occupier of a pasture and arable farm of 100 hectares. He telephones, asking you to make arrangements to sell the farm. Having carried out the stocktaking valuation for many years you know that there are 80 hectares of arable land growing cereals and oilseeds in rotation and that he runs 40 Hereford Cross single suckler cows on the 20 hectares of permanent pasture. He lives in a bungalow built 10 years ago when the farmhouse was sold off and there is a pair of cottages, both occupied by retired farm workers. The modern range of farm buildings is near to the bungalow and has no development potential.

Prepare a check-list of information you will need to gather on your inspection of the farm in order to advise on value and to draft particulars of sale.

QUESTION 5

You have for many years acted on behalf of two brothers, Michael and Bernard Summers, who as partners have farmed Palladium Farm, Winters Green, since 1972. The holding is rented on full Agricultural Holding Act 1986 tenancy from the local Estate, although the Agreement is in Michael Summers' name only.

The farm, which amounts to some 365 ha, incorporates a large dairy enterprise with 900,000 litres of allocated Milk Quota and the partnership has acquired an additional 300,000 litres of transferred Milk Quota over the years. The partnership also run a small sheep flock and hold 500 units of sheep quota, together with an arable enterprise incorporating 120 ha of IACS eligible arable land.

There is a considerable array of tenant's improvements and fixtures on the holding, much of the machinery is held on HP or lease agreements and there is a sizeable overdraft.

As the result of a family quarrel, Bernard has now decided to terminate the partnership as at 29th September 2001 and the two brothers have asked you to provide them with preliminary advice with regard to all aspects of the dissolution of the partnership and the relevant valuations.

Please prepare a report setting out all the issues involved, including those affecting you professionally and as a member of the Central Association of Agricultural Valuers.