

WRITTEN EXAMINATION

PAPER 1

14th NOVEMBER 2002

9.00am – 10.30am

Time Allowed - 1½ 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 ring the numbers of the two 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** before commencing your answers.
6. You should attempt to answer two out of the three questions, listing them out on the green sheet.
7. All questions carry equal marks: 20 each.
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

Your client John Rolls has recently telephoned you with instructions to LET by tender Ford farm near Bentley.

The farm incorporates a farmhouse, one cottage, 150 hectares of land, mainly eligible for Arable Aid Payments, and a substantial range of dairy buildings (suitable for 200 cows) and approximately 1,000,000 litres of milk quota.

Write a **preliminary letter** to your client:

- a) Setting out confirmation of the basis under which the farm will be let.
- b) Set out the basis of your professional costs and terms of business.
- c) Set out in your letter the information you will require your client to produce so that you can prepare relevant letting particulars.
- d) Set out in your letter in basic terms the information you will require from prospective tenderers so that an informed decision can be made when selecting a new farm tenant.

QUESTION 2

Your established client is the tenant of 400-hectare mixed farm including house, cottages and buildings, occupied under a 1986 Agricultural Holdings Act Agreement. His landlord has offered him an additional 100 hectares of bare Grade III arable land eligible for Arable Area Payments. The offer is for a totally separate fixed 10-year Farm Business Tenancy term.

The parties, to save costs, have jointly instructed you to write to them setting out the options for the alternative provisions for altering the rent during the tenancy and the procedures for resolving disputes about the rent that might be incorporated in the Agreement, accepting that their instructions will not give rise to a conflict of interest.

The parties have also asked you to advise them with regard to the situation in which early termination of whole or part of the farm might be sought by either of them and the mechanism for triggering such arrangement.

QUESTION 3

Your client, Major Burke (aged 65), is an owner occupier of Manor Farm and is considering retiring from farming and disposing of his assets. These assets comprise the freehold of a 140-hectare farm including a farmhouse and two cottages, one occupied by a long serving farm worker, and the other let on an Assured Shorthold Tenancy. There is a dairy herd of 100 cows and followers, 500 head of breeding sheep and the necessary equipment for livestock and arable enterprises. Major Burke is a widower with no children but would like his nephew to benefit from the sale whilst retaining sufficient income for himself.

Prepare a **file note** for discussion with your client outlining the likely extent of his immediate and potential capital gains tax liabilities and the various reliefs and allowances available to him.