

BAYWELL FARMING LIMITED

Company Registration Number FC9525

REPORT AND ACCOUNTS

For the year ended 31 December 1998

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04/672



HOWSONS

Chartered Accountants

Registered Auditors

BAYWELL FARMING LIMITED

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report together with the audited accounts for the year ended 31 December 1998.

PRINCIPAL ACTIVITY

The principal activity of the company during the year has been farming.

BUSINESS REVIEW

The company traded at a loss during the year but the directors expect that it will return to profitability in the foreseeable future. The directors do not recommend the payment of a dividend for the year.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and subsequently were as follows:

Sir Anthony Bamford DL
Lady Bamford

Neither director had any interest in the share capital of the company during the year.

FIXED ASSETS

The changes in tangible fixed assets are set out in note 8 to the accounts.

The changes in intangible fixed assets are set out in note 7.

YEAR 2000

Systems critical to the company's ongoing operations and preparation of financial information, including application systems, operating systems and hardware, as well as other non-financial computing and date-dependent systems on which the company relies, are being reviewed to establish the impact, if any, which the Year 2000 will have on the accuracy of calculation, processing and reporting, and operations being performed.

Plans are being developed, designed to ensure that prior to, and entering into the new millennium, the impact of the Year 2000 will not create significant errors in accounting records, or in the operation of other computerised and date-dependent systems. The costs of achieving Year 2000 compliance have been met by the company's software supplier. The company is aware of the risks and uncertainties that customers and suppliers may experience with regard to the Year 2000 issue, and is taking such steps as can reasonably be expected of it in order to mitigate any adverse effects that could jeopardise the continued operations of the company.

THE EURO

The company does not trade with customers and suppliers who are resident in those European countries that have entered into the first phase of the introduction of the single currency, the Euro, with effect from 1 January 1999.

CLOSE COMPANY STATUS

The company is a close company within the provisions of the Income and Corporation Taxes Act 1988.

AUDITORS

The auditors, Howsons, have expressed their willingness to continue in office, and a resolution to re-appoint them will be put to the members at the Annual General Meeting.

Signed on behalf of the Board



SIR ANTHONY BAMFORD DL

CHAIRMAN

BAYWELL FARMING LIMITED

DIRECTORS' RESPONSIBILITIES

For the year ended 31 December 1998

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable;
- prepare the financial statements on the going concern basis unless it is not appropriate 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF BAYWELL FARMING LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 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 the 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 the company's affairs at 31 December 1998 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Howsons
Chartered Accountants
Registered Auditors**

Winton House
Stoke Road
Stoke-on-Trent
Staffs
ST4 2RW

Date 11 JUNE, 1999

BAYWELL FARMING LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 31 December 1998**

	Note	1998 £	1997 £
TURNOVER - continuing operations	1	379,045	367,852
Cost of sales		211,656	241,731
		<hr/>	<hr/>
GROSS PROFIT		167,389	126,121
Farming expenses		230,934	151,333
Administrative expenses		92,927	91,118
		<hr/>	<hr/>
OPERATING LOSS - continuing operations	2	(156,472)	(116,330)
Interest receivable	4	19,873	19,793
Other income	5	23,572	45,593
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(113,027)	(50,944)
Taxation on loss on ordinary activities	6	(7,834)	(10,300)
		<hr/>	<hr/>
LOSS FOR THE YEAR AFTER TAXATION, BEING THE DEFICIT FOR THE YEAR		(105,193)	(40,644)
		<hr/>	<hr/>

TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the loss for the year ends as stated.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

The accounts are prepared under the historical cost convention and thus the reported loss on ordinary activities before taxation is the historical cost loss.

BAYWELL FARMING LIMITED

BALANCE SHEET

As at 31 December 1998

	Note	1998 £	£	1997 £	£
FIXED ASSETS					
Intangible assets	7		2,420		25,789
Tangible assets	8		1,081,313		288,833
			<hr/>		<hr/>
			1,083,733		314,622
CURRENT ASSETS					
Stocks	10	253,227		299,862	
Debtors	11	81,744		36,351	
Cash at bank and in hand		265,798		415,325	
		<hr/>		<hr/>	
		600,769		751,538	
CREDITORS: Amounts falling due within one year	12	392,805		269,037	
		<hr/>		<hr/>	
NET CURRENT ASSETS			207,964		482,501
			<hr/>		<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			1,291,697		797,123
CREDITORS: Amounts falling due after more than one year	13		812,916		198,916
PROVISION FOR LIABILITIES AND CHARGES	14		-		14,233
			<hr/>		<hr/>
NET ASSETS			478,781		583,974
			<hr/>		<hr/>
CAPITAL AND RESERVES					
Called up share capital	15	55,249		55,249	
Profit and loss account	16	423,532		528,725	
		<hr/>		<hr/>	
SHAREHOLDERS' FUNDS	17		478,781		583,974
			<hr/>		<hr/>

The accounts were approved by the Board of Directors on 11 June 1999


SIR ANTHONY BAMFORD DL

BAYWELL FARMING LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 1998

1. ACCOUNTING POLICIES

Accounting Convention

The accounts are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Turnover

Turnover represents the invoiced value of goods sold in the year, excluding VAT and inclusive of subsidies. All turnover is achieved within the United Kingdom.

Tangible Fixed Assets

Tangible fixed assets are included at cost as set out in note 8 to the accounts.

Depreciation is calculated so as to write-off the original cost by a reducing balance basis over the expected useful lives of the assets concerned. The principal rates used are:

	%
Farm buildings and roads	2.5 - 5.00
Farm machinery	10
Motor vehicles	25
Dairy equipment	15 - 25
Office equipment	25

During the year the company built a new dairy. The equipment purchased is expected to have a longer useful life and as such a depreciation rate of 15% reducing balance was applied to the acquisitions in the year. All previous purchases will continued to be depreciated at 25%.

Intangible Fixed Assets

Milk quota included as an intangible asset is to be written off over 7 years on a straight line basis on cost. Sheep quota is carried at its acquisition cost.

Stock

Stock is valued at the lower of cost and net realisable value. The cost of farm grown stores, growing crops and farm reared livestock is determined by reference to generally accepted farming valuation principles.

In common with other farming enterprises farm grown stores include an element for subsidies received proportionate to stores and production.

Pension Costs

The company is a participant in the J C Bamford Pension Scheme, which is a funded, defined benefit scheme. The costs of providing pensions for employees are charged in the profit and loss account over the average working life of the employees, in accordance with the recommendations of a qualified actuary. Any funding surpluses or deficits that may arise from time to time are amortised over the average remaining service life of employees. The most recent triennial actuarial valuation was carried out as at 6 April 1995, with a further provisional valuation carried out at 6 April 1998. Full disclosure of the results of this latter valuation is given in the accounts of JCB Service.

Deferred Taxation

Provision is only made for deferred taxation, using the liability method, in respect of timing differences arising from the difference in treatment of certain items for accounting and taxation purposes, where it is considered that the deferral is unlikely to continue for the foreseeable future, and where the consequent liability is expected to be material.

BAYWELL FARMING LIMITED**NOTES TO THE ACCOUNTS****For the year ended 31 December 1998****2. OPERATING LOSS**

Operating loss is stated after the following:

	1998 £	1997 £
Depreciation	44,238	20,679
Deficit on disposal of assets	20,694	3,478
Amortisation of milk quota	23,369	28,528
Rent	23,175	23,175
Auditors remuneration	2,300	2,300
Hire of machinery	25,470	24,312

No director received any remuneration for this or the previous year.

3. EMPLOYEES (excluding directors)

The average number of persons employed by the company during the year was 5 (1997: 4).

The aggregate payroll costs of these persons were:

	1998 £	1997 £
Wages and salaries	133,365	79,417
Social security costs	8,990	6,741
Other pension costs	4,987	8,384
	<hr/> 147,342	<hr/> 94,542

4. INTEREST RECEIVABLE

	1998 £	1997 £
Bank interest	19,873	19,793
	<hr/>	<hr/>

5. OTHER INCOME

	1998 £	1997 £
Quota leasing	22,546	42,088
Income from shares	716	465
Sundry income	310	3,040
	<hr/> 23,572	<hr/> 45,593

BAYWELL FARMING LIMITED**NOTES TO THE ACCOUNTS****For the year ended 31 December 1998****6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

	1998 £	1997 £
Corporation tax at 31% (1997: 31.5%)		
On the loss for the year	-	(13,156)
Adjustments in respect of prior years	6,399	1,003
Deferred taxation	(14,233)	1,853
	<u>(7,834)</u>	<u>(10,300)</u>

7. INTANGIBLE FIXED ASSETS

	Sheep Quota £	Milk Quota £	Total £
COST			
At 1 January 1998 and 31 December 1998	2,420	199,636	202,056
	<u> </u>	<u> </u>	<u> </u>
AMORTISATION			
At 1 January 1998	-	176,267	176,267
Charge for the year	-	23,369	23,369
	<u> </u>	<u> </u>	<u> </u>
At 31 December 1998	-	199,636	199,636
	<u> </u>	<u> </u>	<u> </u>
NET BOOK VALUE			
At 31 December 1998	2,420	-	2,420
	<u> </u>	<u> </u>	<u> </u>
At 31 December 1997	2,420	23,369	25,789
	<u> </u>	<u> </u>	<u> </u>

At the end of 1998 the milk quota had been fully amortised, however, it is expected that benefits will continue to accrue until the year 2006.

BAYWELL FARMING LIMITED**NOTES TO THE ACCOUNTS**

For the year ended 31 December 1998

8. TANGIBLE FIXED ASSETS

COST	Motor Vehicles £	Farm Buildings £	Farm Machinery £	Fixtures & Equipment £	Total £
At 1 January 1998	12,474	279,721	173,300	85,625	551,120
Additions	-	693,039	40,287	124,084	857,410
Disposals	-	(28,045)	(404)	(26,047)	(54,496)
At 31 December 1998	12,474	944,715	213,183	183,662	1,354,034
DEPRECIATION					
At 1 January 1998	7,212	82,619	90,076	82,380	262,287
Charge for the year	1,315	13,440	12,344	17,139	44,238
Disposals	-	(8,728)	(322)	(24,754)	(33,804)
At 31 December 1998	8,527	87,331	102,098	74,765	272,721
NET BOOK VALUE					
At 31 December 1998	3,947	857,384	111,085	108,897	1,081,313
At 31 December 1997	5,262	197,102	83,224	3,245	288,833

9. INVESTMENTS

The company acquired 4,160 Dairy Crest shares during 1996 at no cost as an eligible milk producer. The company also holds 428 ordinary shares in National Milk Records and £2,358 of Milk Marque Limited Loan Stock, both acquired at no cost.

10. STOCK

	1998 £	1997 £
Farmgrown stores	61,710	109,282
Livestock	120,121	130,015
Growing crops	50,011	45,945
Other	21,385	14,620
	<u>253,227</u>	<u>299,862</u>

BAYWELL FARMING LIMITED**NOTES TO THE ACCOUNTS**

For the year ended 31 December 1998

11. DEBTORS

	1998 £	1997 £
Trade debtors	27,453	17,844
Other debtors	43,988	2,069
Prepayments	3,668	3,282
Taxation	6,635	13,156
	<hr/>	<hr/>
	81,744	36,351

Included in prepayments is an amount of £2,414 (1997: £1,533) in respect of pension costs.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Trade creditors	211,887	91,607
Amounts owed to parent company	34,100	34,100
Accruals	19,962	6,360
Deferred income	20,095	52,074
Amount owed to directors	106,761	84,896
	<hr/>	<hr/>
	392,805	269,037

Included in trade creditors is the following amount:

Taxation and social security	2,473	-
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13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1998 £	1997 £
Loans	812,916	198,916

The loans which are unsecured, repayable on demand (subject to 12 months notice) and interest free are due to Wootton Farms Limited, the company's parent (£163,150) and J C Bamford Excavators Limited, a group company, (£649,766). During the year the J C Bamford Excavators Limited loan increased by £614,000.

14. PROVISION FOR LIABILITIES AND CHARGES

	Provision		Full Potential Liability	
	1998 £	1997 £	1998 £	1997 £
DEFERRED TAXATION				
Accelerated capital allowances	27,654	14,233	49,061	34,955
Losses	(27,654)	-	(35,381)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	14,233	13,680	34,955

BAYWELL FARMING LIMITED

NOTES TO THE ACCOUNT

For the year ended 31 December 1998

15. SHARE CAPITAL

The authorised share capital of the company consists of a maximum of 500 registered shares without par value, of which 3 shares have been issued with a capital paid in of US \$100,000. This has been converted to sterling at the rate on the date of acquisition.

16. PROFIT AND LOSS ACCOUNT

	1998 £	1997 £
Profit at 31 December 1997	528,725	569,369
Loss for the year	(105,193)	(40,644)
	<hr/>	<hr/>
Profit at 31 December 1998	423,532	528,725

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Loss for the year after taxation being net decrease in shareholders' funds	(105,193)	(40,644)
Shareholders' funds at 31 December 1997	583,974	624,618
	<hr/>	<hr/>
Shareholders' funds at 31 December 1998	478,781	583,974

Shareholders' funds are wholly attributable to equity interests.

18. TRANSACTIONS WITH DIRECTORS

In the year the company was charged £23,175 (1997: £23,175) rent by Daylesford Estate, which is owned by the directors, Sir Anthony and Lady Bamford.

19. RELATED PARTY TRANSACTIONS

J C Bamford Excavators Limited, a subsidiary of the company's ultimate parent company, incurred costs on behalf of the company and recharged them at cost. The value of recharges made during the year was £168,910. J C Bamford Excavators Limited also recharged £24,367 in respect of hire charges for machines used on the farm. Through a subsidiary, £10,010 was charged in relation to insurance. The balance of such recharges not paid at the year end amounted to £142,305 (1997: £52,076).

20. INCORPORATION AND ULTIMATE HOLDING COMPANY

The company, which is incorporated in Monrovia, Liberia, is wholly owned by Wootton Farms Limited, a company registered in England and Wales and whose ultimate controlling party is Bamford family interests.

21. PENSION SCHEME ARRANGEMENTS

The company is a participant in the J C Bamford Pension Scheme, which is a funded, defined benefit scheme. The costs of providing pensions for employees are charged in the profit and loss account over the average working life of the employees, in accordance with the recommendations of a qualified actuary. Any funding surpluses or deficits that may arise from time to time are amortised over the average remaining service life of employees. The most recent triennial actuarial valuation was carried out as at 6 April 1995, with a further provisional valuation carried out at 6 April 1998. Full disclosure of the results of this latter valuation is given in the accounts of JCB Service.