



Registration number FC9525

# Daylesford Organic Farms Limited

Directors' Report and Financial Statements

for the Year Ended 31 December 2005

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COMPANIES HOUSE

Howsons  
Chartered Accountants and Registered Auditors  
Winton House  
Stoke Road  
Stoke on Trent  
Staffordshire  
ST4 2RW

**DAYLESFORD ORGANIC FARMS LIMITED**  
**OFFICERS AND ADVISERS**

<b>Chairman</b>	Sir Anthony Bamford DL
<b>Directors</b>	Sir Anthony Bamford DL Lady Bamford
<b>Bankers</b>	Barclays Bank Plc Birmingham Banking Centre PO Box 5960 15 Colmore Row Birmingham B3 2EP
<b>Auditors</b>	Howsons Chartered Accountants and Registered Auditors Winton House Stoke Road Stoke on Trent Staffordshire ST4 2RW

**DAYLESFORD ORGANIC FARMS LIMITED**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005**

The directors present their report and the audited financial statements for the year ended 31 December 2005

**Directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the period ending on that date. In preparing those financial statements, directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on a 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 enable them to ensure the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

**Principal activity**

The principal activity of the company is that of farming and dairy produce manufacture.

**Directors and their interests**

The directors who held office during the year were as follows

- Sir Anthony Bamford DL
- Lady Bamford

Neither director had any direct interest in the share capital of the company at any time during the year. The company is a wholly owned subsidiary of JCB Farms Limited (formerly Wootton Organic Farms Limited) whose ultimate parent company is owned by Bamford family interests.

**Auditors**

The auditors, Howsons, shall continue in office under the Elective Resolution to section 386 of the Companies Act 1985 passed by the company on 18 October 1990, the directors having received no notice from any member requiring their re-appointment.


**Small company provisions**

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

**DAYLESFORD ORGANIC FARMS LIMITED**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005**

*continued*

Approved by the Board and signed on its behalf by

A handwritten signature in black ink, appearing to be 'A. Bamford', written over a horizontal line.

Sir Anthony Bamford DL  
Chairman

Date 25 April 2007

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DAYLESFORD ORGANIC FARMS LIMITED**

We have audited the financial statements of Daylesford Organic Farms Limited for the year ended 31 December 2005 set out on pages 6 to 15. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the statement of Directors' responsibilities on page 2, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an 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.

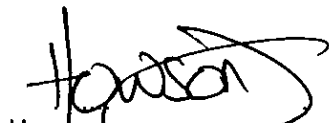
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
DAYLESFORD ORGANIC FARMS LIMITED**

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985



Howson  
Chartered Accountants and Registered Auditors

Winton House  
Stoke Road  
Stoke on Trent  
Staffordshire  
ST4 2RW

Date 25 April 2007

**DAYLESFORD ORGANIC FARMS LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005**

	Note	2005 £	2004 £
Turnover		468,791	477,041
Cost of sales		(369,018)	(240,968)
<b>Gross profit</b>		<u>99,773</u>	<u>236,073</u>
Farming expenses		(612,400)	(512,280)
Administrative expenses		(2,009,429)	(261,217)
Other operating income		136,371	73,766
<b>Operating loss</b>	3	<u>(2,385,685)</u>	<u>(463,658)</u>
Other interest receivable and similar income		-	133
Interest payable and similar charges		(137,131)	(57,285)
<b>Loss on ordinary activities before taxation</b>		<u>(2,522,816)</u>	<u>(520,810)</u>
Tax on loss on ordinary activities	4	109,003	6,717
<b>Loss for the financial year</b>		<u><u>(2,413,813)</u></u>	<u><u>(514,093)</u></u>

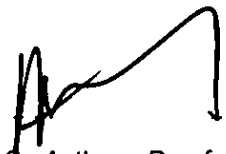
The notes on pages 8 to 15 form an integral part of these financial statements

**DAYLESFORD ORGANIC FARMS LIMITED**  
**BALANCE SHEET AS AT 31 DECEMBER 2005**

		2005		2004	
	Note	£	£	£	£
<b>Fixed assets</b>					
Intangible assets	5		-		-
Tangible assets	6		3,848,763		4,184,043
			<u>3,848,763</u>		<u>4,184,043</u>
<b>Current assets</b>					
Stocks		342,994		372,553	
Debtors	8	884,496		510,538	
Cash at bank and in hand		404		551	
		<u>1,227,894</u>		<u>883,642</u>	
<b>Creditors: Amounts falling due within one year</b>	9	<u>(7,759,253)</u>		<u>(5,227,464)</u>	
<b>Net current liabilities</b>			<u>(6,531,359)</u>		<u>(4,343,822)</u>
<b>Total assets less current liabilities</b>			(2,682,596)		(159,779)
<b>Creditors: Amounts falling due after more than one year</b>	10		(1,012,916)		(1,012,916)
<b>Provisions for liabilities</b>	11		<u>-</u>		<u>(109,003)</u>
<b>Net liabilities</b>			<u>(3,695,512)</u>		<u>(1,281,698)</u>
<b>Capital and reserves</b>					
Called up share capital	12		55,249		55,249
Profit and loss reserve	13		<u>(3,750,761)</u>		<u>(1,336,947)</u>
<b>Equity shareholders' deficit</b>			<u>(3,695,512)</u>		<u>(1,281,698)</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2005)

Approved by the Board on 25 April 2007 and signed on its behalf by



Sir Anthony Bamford DL  
Chairman

The notes on pages 8 to 15 form an integral part of these financial statements

## **DAYLESFORD ORGANIC FARMS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005**

#### **1 ACCOUNTING POLICIES**

##### **Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005)

##### **Cash flow statement**

The accounts do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirements to prepare such a statement

##### **Going concern**

These financial statements have been prepared on a going concern basis

##### **Turnover**

Turnover represents the invoiced value of goods sold in the year inclusive of subsidies, excluding VAT

##### **Intangible fixed assets**

Milk quota included as a tangible fixed asset has been written off over 7 years on a straight line basis on cost. At 31 December 2005, the milk quota had been fully written down (see note 5)

##### **Depreciation**

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows

Farm buildings and roads	25 / 5% reducing balance
Farm machinery	10 / 25% reducing balance
Office equipment	25% reducing balance
Motor vehicles	25% reducing balance
Dairy equipment	25 / 25% reducing balance
Farm shop buildings	5% reducing balance
Creamery facilities	5% / 25% straight line

Depreciation is charged monthly on all assets purchased in the year

##### **Stocks**

Cattle and sheep are valued at the original cost at the time they transferred to the herd, namely at purchase price for bought animals and at the estimated cost of rearing for home produced animals. All other 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 valuation principles

##### **Deferred taxation**

Deferred tax is provided in full on timing differences which represent a liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income or expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax assets and liabilities are not discounted

# DAYLESFORD ORGANIC FARMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

*continued*

### Foreign currencies

Profit and loss account transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the closing rates at the balance sheet date and the exchange differences are included in the profit and loss account.

### Hire purchase and finance lease contracts

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, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Assets acquired under instalment finance agreements are treated as tangible fixed assets and depreciation is provided accordingly. The capital element of future finance payments is included within creditors. Finance charges are allocated to accounting periods over the length of the contract.

### Pensions

Retirement benefits for eligible employees are primarily provided by a defined benefit scheme which is funded by contributions from the company and employees into an administered trust fund. The company is unable to identify its share of the underlying assets and liabilities of the scheme. As a result, the company accounts for contributions to the scheme as if it were a defined contribution scheme by charging them to the profit and loss account as incurred.

### Subsidies

Subsidies receivable have been accounted for on an accruals basis.

## 2 OTHER OPERATING INCOME

	2005 £	2004 £
Dividend income	943	954
Sundry income	3,262	20,813
Total	<u>4,205</u>	<u>21,767</u>

## 3 OPERATING LOSS

Operating loss is stated after charging/(crediting)

	2005 £	2004 £
Auditors remuneration - audit services	13,250	12,633
Foreign currency gains	(745)	(108)
(Profit)/loss on sale of tangible fixed assets	(10,321)	6,434
Depreciation of tangible fixed assets	294,407	233,015
Amortisation of goodwill	-	1,920
Impairment of assets	<u>1,645,000</u>	<u>-</u>

# DAYLESFORD ORGANIC FARMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

*continued*

### 4 TAXATION

#### Analysis of current period tax credit

	2005 £	2004 £
<b>Deferred tax</b>		
Origination and reversal of timing differences	<u>(109,003)</u>	<u>(6,717)</u>
The company has tax losses of approximately £2,003,000 (2004 - £1,329,000) available to carry forward against future trading profits		

### 5 INTANGIBLE FIXED ASSETS

	Milk Quota £
<b>Cost</b>	
As at 1 January 2005 and 31 December 2005	<u>199,636</u>
<b>Amortisation</b>	
As at 1 January 2005 and 31 December 2005	<u>199,636</u>
<b>Net book value</b>	
As at 31 December 2005	<u>-</u>
As at 31 December 2004	<u>-</u>

At the end of 1999 the milk quota had been fully amortised, however it is expected that the benefits will continue to accrue until the year 2006. The market value of the milk quota at 31 December 2005 was £55,371 (2004 - £82,009).

# DAYLESFORD ORGANIC FARMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

*continued*

### 6 TANGIBLE FIXED ASSETS

	Farm Buildings £	Farm Machinery £	Farm Fixtures and Equipment £	Motor vehicles £	Other Assets £	Total £
<b>Cost</b>						
As at 1 January 2005	1,492,443	367,348	461,482	12,474	2,760,382	5,094,129
Additions	643,279	88,033	25,260	-	879,601	1,636,173
Disposals	-	(37,282)	-	-	(7,638)	(44,920)
As at 31 December 2005	<u>2,135,722</u>	<u>418,099</u>	<u>486,742</u>	<u>12,474</u>	<u>3,632,345</u>	<u>6,685,382</u>
<b>Depreciation</b>						
As at 1 January 2005	349,078	121,613	231,136	11,771	196,487	910,085
Eliminated on disposals	-	(9,209)	-	-	(3,665)	(12,874)
Charge for the year	57,861	27,968	44,966	176	163,437	294,408
Impairment of assets	-	-	-	-	1,645,000	1,645,000
As at 31 December 2005	<u>406,939</u>	<u>140,372</u>	<u>276,102</u>	<u>11,947</u>	<u>2,001,259</u>	<u>2,836,619</u>
<b>Net book value</b>						
As at 31 December 2005	<u>1,728,783</u>	<u>277,727</u>	<u>210,640</u>	<u>527</u>	<u>1,631,086</u>	<u>3,848,763</u>
As at 31 December 2004	<u>1,143,365</u>	<u>245,735</u>	<u>230,346</u>	<u>703</u>	<u>2,563,895</u>	<u>4,184,044</u>

Included in other assets is the farm shop (operated by JCB World Brands Ltd) and creamery facilities. The cost of these at 31 December 2005 was £3,259,794 (2004 - £2,397,301) and £372,551 (2004 - £363,082) respectively. The accumulated depreciation at 31 December 2005 was £1,895,957 (2004 - £128,265) and £105,301 (2004 - £68,223) respectively. The charge for the year on these assets was £122,693 (2004 - £85,442) and £40,744 (2004 - £26,319) respectively. The impairment on these assets was £1,645,000 (2004 - £nil) and Nil respectively.

### 7 INVESTMENTS HELD AS FIXED ASSETS

The company holds the following listed fixed asset investments: 4,160 Dairy Crest ordinary shares acquired during 1996 at NIL cost as an eligible milk producer, and 1,368 ordinary shares in Genus Plc which were also acquired at NIL cost.

The aggregate market value of these shares at 31 December 2005 was £27,270 (2004 - £20,750).

The company also holds 428 ordinary shares in National Milk Records and 2,475 preference shares of £1 each in Axis and Scottish Milk Ltd, acquired at NIL cost.

# DAYLESFORD ORGANIC FARMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

*continued*

### 8 DEBTORS

	2005 £	2004 £
Trade debtors	28,711	39,553
Amounts owed by group undertakings	11,373	14,291
Amounts owed by related companies outside the JCB Service group	573,624	305,647
Other debtors	157,621	89,928
Prepayments and accrued income	113,167	61,119
	<u>884,496</u>	<u>510,538</u>

### 9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Bank loans and overdrafts	4,803,063	2,371,886
Trade creditors	103,405	224,616
Amounts owed to group undertakings	2,447,490	2,099,451
Amounts owed to fellow subsidiary undertakings	73,151	73,151
Amounts owed to related companies outside the JCB Service group	45,790	28,563
Social security and other taxes	-	7,433
Other creditors	26,495	25,937
Director current accounts	248,559	339,144
Accruals and deferred income	11,300	57,283
	<u>7,759,253</u>	<u>5,227,464</u>

Along with other companies that are members of the JCB Service Group, the company is a party to the group banking facility known as the Mass Account. Under this facility, each company is jointly and severally liable for any liability to the bank collectively. In respect of the debt due to the bank by this company, provision has been made in the consolidated accounts for JCB service.

### 10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005 £	2004 £
Loans owed to group undertakings	<u>1,012,916</u>	<u>1,012,916</u>

The loans which are unsecured, repayable on demand (subject to 12 months notice) and interest free are due to JCB Farms Limited (formerly Wootton Organic Farms Ltd), of £163,150 (2004 - £163,150) and J C Bamford Excavators Limited of £849,766 (2004 - £849,766).

In respect of the loan due to J C Bamford Excavators Limited, provision has been made in the consolidated accounts for JCB Service.

# DAYLESFORD ORGANIC FARMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

*continued*

### 11 PROVISIONS FOR LIABILITIES

	<b>Deferred tax provision £</b>
As at 1 January 2005	109,003
Deferred tax provision charged to the profit and loss account	<u>(109,003)</u>
As at 31 December 2005	<u>-</u>

### 12 SHARE CAPITAL

Allotted, called up and fully paid

	<b>2005 £</b>	<b>2004 £</b>
Ordinary share capital	<u>55,249</u>	<u>55,249</u>

The authorised share capital of the company consists of a maximum of 500 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 a rate on the date of acquisition.

### 13 RESERVES

	<b>Profit and loss reserve £</b>
Balance at 1 January 2005	(1,336,948)
Transfer from profit and loss account for the year	<u>(2,413,813)</u>
Balance at 31 December 2005	<u>(3,750,761)</u>

## **DAYLESFORD ORGANIC FARMS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005**

*continued*

#### **14 RELATED PARTIES**

##### **Controlling entity**

The company, which is incorporated in Monrovia, Liberia, is wholly owned by JCB Farms Limited (formerly Wootton Organic Farms Ltd), itself a subsidiary of J C Bamford Excavators Limited, which is in turn a subsidiary of JCB Service, an unlimited liability company incorporated in England and Wales. The largest company to consolidate the accounts of JCB Service is Transmissions and Engineering Services Netherlands BV, a company incorporated in the Netherlands. Transmissions and Engineering Services Netherlands BV is ultimately controlled by Bamford family interests.

##### **Related party transactions**

The company occupies farm land, on the Daylesford Estate, which is owned by a director, Sir Anthony Bamford. In the year the company was charged rent by the Estate of £60,400 (2004 - £60,400).

During the year J C Bamford Excavators Limited, a subsidiary of the company's ultimate parent company, JCB Service, incurred costs on behalf of the company and recharged them at cost. The value of recharges was £361,000 (2004 - £566,000). The net amount due to J C Bamford Excavators Limited at 31 December 2005 was £2,363,000 (2004 - £2,023,000).

During the year the company sold livestock to its parent company JCB Farms Limited (formerly Wootton Organic Farms Ltd) amounting to £40,000 (2004 - £16,000). JCB Farms Limited (formerly Wootton Organic Farms Ltd) also incurred costs on behalf of the company, which it recharged at cost. The value of recharges was £52,000 (2004 - £1,000). The net amount due to JCB Farms Limited (formerly Wootton Organic Farms Ltd) at 31 December 2005 was £73,000 (2004 - £62,000).

During the year there were no transactions with Wootton Organic Wholesale Ltd, a subsidiary of JCB Farms Limited (formerly Wootton Organic Farms Ltd), which is ultimately controlled by Bamford family interests. The net amount due to Wootton Organic Wholesale Ltd at 31 December 2005 was £73,000 (2004 - £73,000).

During the year the company sold goods to, and incurred costs, which it recharged at cost, on behalf of Daylesford Organic Limited, a company in which Lady Bamford and her family are the shareholders, amounting to £163,000 (2004 - £60,000) and £68,000 (2005 - £102,000) respectively. Daylesford Organic Limited also incurred costs on behalf of the company, which it recharged at cost. The value of these recharges was £31,000 (2004 - £88,000). The net amount due from Daylesford Organic Limited at 31 December 2005 was £508,000 (2004 - £256,000).

During the year JCB World Brands Limited, a company in which Lady Bamford and her family are the shareholders, incurred costs on behalf of the company, which it recharged at cost. The value of recharges was £21,000 (2004 - £8,000). The net amount due to JCB World Brands Limited at 31 December 2005 was £20,000 (2004 - £5,000).

During the year the company incurred costs, which it recharged at cost, on behalf of Bamford Limited, a subsidiary of JCB World Brands Limited, a company in which Lady Bamford and her family are the shareholders. The value of these recharges was £12,000 (2004 - £22,000). The net amount due from Bamford Limited at 31 December 2005 was £39,000 (2004 - £25,000).

## **DAYLESFORD ORGANIC FARMS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005**

*continued*

#### **15 PENSION SCHEMES**

The company is a participating employer in a defined benefit scheme J C Bamford Lifeplan. The scheme has a deficit of £79.8 million (2004 - £85.3 million), £55.9 million net of deferred tax (2004 - £59.7 million), calculated in accordance with FRS 17. The amount charged to the profit and loss account in the year in respect of contributions to the scheme was £31,424 (2004 - £29,480). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

#### **16 GOING CONCERN**

These accounts have been prepared on a going concern basis. In the opinion of the directors, this is appropriate since, although the company has accumulated losses, much of these were associated with the depressed state of the farming market. The shareholders have informed the board that it is their present intention to support the operations of the company.