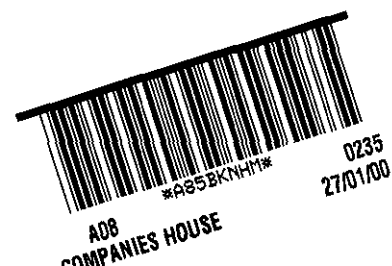


**Company number:
1761489 (ENGLAND & WALES)**

**KNIGHT FARM MACHINERY LIMITED
ABBREVIATED STATUTORY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 1999**

**MOORE STEPHENS
CHARTERED ACCOUNTANTS
THE GREY HOUSE
3 BROAD STREET
STAMFORD
LINCOLNSHIRE
PE9 1PR**



KNIGHT FARM MACHINERY LIMITED

COMPANY INFORMATION

Company number: 1761489 (England & Wales)

Directors: R G Knight
B G Knight

Secretary: B G Knight

Registered office: The Grey House
3 Broad St
Stamford
Lincolnshire
PE9 1PR

Auditors: Moore Stephens
Chartered Accountants
The Grey House
3 Broad Street
Stamford
Lincolnshire
PE9 1PR

Bankers: Barclays Bank Plc
46-49 Broad St
Stamford
Lincolnshire
PE9 1ND

Solicitors: Kelham & Sons
9 Broad St
Stamford
Lincolnshire
PE9 1PY

KNIGHT FARM MACHINERY LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 1999

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AUDITORS' REPORT TO KNIGHT FARM MACHINERY LIMITED

PURSUANT TO SECTION 247B OF THE COMPANIES ACT 1985.

We have examined the abbreviated financial statements on pages 5 to 17 together with the full financial statements of Knight Farm Machinery Limited for the year ended 31st March 1999, prepared under section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated financial statements in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with sections 246A(3) of the Act to the registrar of companies and whether the financial statements to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the full statutory financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with sections 246A(3) Companies Act 1985, and the abbreviated financial statements on pages 5 to 17 are properly prepared in accordance with those provisions.

The Grey House
3 Broad Street
Stamford
Lincolnshire

Dated : 26th January '00



Moore Stephens
Registered Auditor
Chartered Accountants

KNIGHT FARM MACHINERY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST MARCH 1999

The directors present their report and the financial statements for the year ended 31st March 1999.

Principal activities

The principal activity of the company is the manufacture of farm machinery.

There has not been any significant change in this activity during the year.

Review of business

Details of the results for the year are given on page 4 of the accounts. The sales made by the company have reduced as a direct result of the recession in the agricultural sector. Against this background the company has made a small profit. Commission from royalties has increased, providing a useful second source of income. The directors continually seek to improve the company's product range by developing new technology, as well as by detailed design improvements. The company has also acquired some farmland to help diversify its income.

The directors feel that the company will be able to sustain profitability in the future.

Research & development

The only research and development activities undertaken by the company is the continual development of existing products/services. The directors consider that any such expenditure is not significant in the context of the company's financial statements.

Events since the end of the year

The directors do not consider that any event since the Balance Sheet date significantly affects the company's financial position.

Donations

Political and charitable donations did not exceed £200 during the year.

Fixed assets

Changes in fixed assets during the period are set out in the notes to the financial statements.

In the opinion of the directors, the market value of land & buildings does not vary materially from the net book value of £552,642.

KNIGHT FARM MACHINERY LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31ST MARCH 1999

Results and dividends

During the year a dividend has been paid on the 7% (Net) Cumulative Non- Redeemable Preference Shares of £1 each amounting to £35,000.

The directors recommend that no dividend on Ordinary Shares be paid for the year.

Directors' interests

The directors of the company during the period and their respective family interests in the share capital of the company as recorded in the register of directors' interests were as follows:

	1999 No.	1998 of shares
R G Knight - Ordinary Shares	11	11
- Preference Shares	250,000	250,000
B G Knight - Ordinary Shares	50	50
- Preference Shares	250,000	250,000

Trustee holding:

As at 31 March 1999 the directors held 39 Ordinary Shares as trustees for the children of Mr B G and Mrs S J Knight.

No director has been granted a right to subscribe for additional shares or debentures.

The director retiring by rotation is Mr R G Knight who being eligible will offer himself for re-election at the forthcoming Annual General Meeting.

Year 2000

The directors are continuing to review the risks associated with the Year 2000 problem, both with regard to internal use of computer systems and embedded chips and in connection with relationships with third parties. They are satisfied that these steps will be completed in sufficient time to eliminate any potential problems. The total costs of ensuring Year 2000 compliance have not yet been quantified, but are not expected to be significant.

KNIGHT FARM MACHINERY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST MARCH 1999

Responsibilities of the directors

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the 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:

- i. select suitable accounting policies and then apply them consistently;
- ii. make judgements and estimates that are reasonable and prudent;
- iii. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- iv. follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts.

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.

Auditors

The auditors, Messrs Moore Stephens (Chartered Accountants), have expressed their willingness to continue in office and a Resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

On behalf of the board


.....
B G KNIGHT

The Grey House
3 Broad St
Stamford
Lincolnshire
PE9 1PR

KNIGHT FARM MACHINERY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 1999

	Note	1999 £	1998 £
Gross Profit		610,970	843,657
Administrative expenses		610,737	585,884
		<u>233</u>	<u>257,773</u>
Other operating income		21,962	9,409
Operating profit	2	<u>22,195</u>	<u>267,182</u>
Other interest receivable & similar income		22,616	28,274
Profit on ordinary activities before taxation		<u>44,811</u>	<u>295,456</u>
Tax on profit on ordinary activities	4	(14,033)	(83,557)
Profit for the financial year		<u>30,778</u>	<u>211,899</u>
Dividends	5	(35,000)	(35,000)
Retained (loss)/profit for the year		<u>(4,222)</u>	<u>176,899</u>

The company has made no acquisitions nor discontinued any operations within the meaning of Financial Reporting Standard 3 during 1999 therefore turnover and operating profit derive entirely from continued operations.

The company has no recognised gains or losses other than the profit for the financial year.

The annexed notes form part of these financial statements.

KNIGHT FARM MACHINERY LIMITED


ABBREVIATED BALANCE SHEET

AT 31ST MARCH 1999

	Note	1999	1998
		£	£
Fixed assets			
Tangible assets	6	713,190	517,234
Current assets			
Stocks	7	402,428	387,657
Debtors	8	396,383	314,103
Cash at bank and in hand		172,642	517,775
		<u>971,453</u>	<u>1,219,535</u>
Creditors			
Amounts falling due within one year	9	259,120	308,885
Net current assets		<u>712,333</u>	<u>910,650</u>
Total assets less current liabilities		<u>1,425,523</u>	<u>1,427,884</u>
Provisions for liabilities and charges		(1,861)	-
Net assets		<u><u>1,423,662</u></u>	<u><u>1,427,884</u></u>
Capital and reserves			
Called up share capital	11	100	100
Profit and loss account	12	923,562	927,784
Shareholders' funds			
- equity interests		923,662	927,884
- non equity interests		500,000	500,000
Total shareholders' funds		<u><u>1,423,662</u></u>	<u><u>1,427,884</u></u>

Advantage has been taken of the exemptions conferred by Section B of Part III of Schedule 8 to the Companies Act 1985 on the grounds that, in the opinion of the directors the company is entitled to the benefit of those exemptions as a medium-sized company.

Approved by the board of directors on


 B G Knight - Director

The annexed notes form part of these financial statements.

KNIGHT FARM MACHINERY LIMITED

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH 1999

	Note	1999 £	1998 £
Net cash (outflow)/inflow from operating activities	14	(14,100)	532,288
Returns on investments and servicing of finance	15	(12,384)	(6,163)
Taxation		(69,576)	(139,374)
Capital Expenditure	15	(249,072)	(193,590)
(Decrease)/Increase in cash		<u>(345,132)</u>	<u>193,161</u>

KNIGHT FARM MACHINERY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 1999

1. Accounting policies

These accounts have been prepared under the Historical Cost Convention.

These accounts have been prepared in accordance with applicable accounting standards in the United Kingdom.

Turnover

Turnover represents charges to external customers exclusive of Value Added Tax and trade discounts. Royalties in respect of design work done are included within turnover when the related sales occur.

Depreciation of fixed assets

Depreciation has been computed to write off the cost of fixed assets over their expected useful lives at the following rates:-

Leasehold Premises Improvements	evenly over the period of the lease	
Leasehold Premises		2%pa on cost
Plant and machinery		15% pa on reducing balance
Motor vehicles		25% pa on reducing balance
Fixtures and fittings		15% pa on reducing balance
Computer Equipment		25% pa on reducing balance

A full year's depreciation is charged in the year of acquisition of an asset, but none in the year of disposal.

Stocks

Stocks and work in progress are valued consistently at the lower of cost (on first in first out basis) or net realisable value. Cost, where appropriate, includes a proportion of directly attributable overheads.

Deferred taxation

A deferral of Corporation Tax has arisen due to the different basis on which profits are arrived at for taxation purposes as compared to the basis on which profits are stated in these financial statements. Provision has been made for this taxation to the extent to which it is considered likely to become payable in the foreseeable future and at the rate eventually expected to be charged.

Foreign exchange

Transactions in foreign currencies have been translated at the rate prevailing at the date of the transaction; the closing balances of monetary assets and liabilities denominated in a foreign currency have been translated at the rate prevailing on the Balance Sheet date. All profits and losses arising on exchange have been recognised in the Profit and Loss Account.

KNIGHT FARM MACHINERY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 1999

Leasing

Leasing rentals payable on agreements which transfer substantially all the risks and rewards associated with ownership to the lessee (finance leases) are capitalised within Fixed Assets, and the obligation to pay future rentals included in creditors as a liability. The interest charges implicit in such a lease are written off to the Profit and Loss Account in proportion to the balance outstanding during the year.

All other leasing rentals (operating leases) are written off to the Profit and Loss Account as incurred.

Pension costs

Pension costs are recognised in the Profit and Loss Account in order to provide a systematic and rational charge over the periods from which benefits are derived from employees' services.

2. Operating profit

	1999 £	1998 £
This is stated after charging:		
Directors' emoluments	76,610	71,920
Company contributions to money purchase schemes in relation to directors' pensions	20,000	20,000
Total directors' emoluments	96,610	91,920
Auditors' remuneration	5,850	4,280
Depreciation of owned assets	50,916	52,557
Hire of plant and machinery - operating leases	-	593
	<u> </u>	<u> </u>

3. Staff costs

The average number of persons employed by the company, including directors, during the year was as follows:

	1999	1998
Management	2	2
Administration	5	5
Production	29	34
Sales	2	2
	<u> </u>	<u> </u>
	38	43
	<u> </u>	<u> </u>

KNIGHT FARM MACHINERY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH 1999

The aggregate payroll costs of these persons were as follows:

	1999 £	1998 £
Wages and Salaries	636,407	685,235
Social Security	61,761	65,583
Other pension costs	20,000	20,000
	<u>718,168</u>	<u>770,818</u>

4. Taxation on profit on ordinary activities

	1999 £	1998 £
Current period:		
United Kingdom corporation tax	8,392	48,716
Deferred taxation	1,861	-
	<u>10,253</u>	<u>48,716</u>
Prior years:		
United Kingdom corporation tax under provided	3,780	34,841
	<u>14,033</u>	<u>83,557</u>

5. Dividends

	1999 £	1998 £
Non Equity Preference Dividend - paid	<u>35,000</u>	<u>35,000</u>

KNIGHT FARM MACHINERY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH 1999

6. Tangible fixed assets

	Land and Buildings £	Plant and Machinery £	Fixtures and Fittings £	Motor Vehicles £	Total £
Cost:					
At 1st April 1998	404,547	129,135	112,012	99,999	745,693
Additions	219,059	3,514	11,594	22,405	256,572
Disposals	-	-	-	(26,019)	(26,019)
At 31st March 1999	<u>623,606</u>	<u>132,649</u>	<u>123,606</u>	<u>96,385</u>	<u>976,246</u>
Depreciation:					
At 1st April 1998	58,894	70,547	51,258	47,759	228,458
Charge for the period	12,070	9,315	13,295	16,236	50,916
On disposals	-	-	-	(16,318)	(16,318)
At 31st March 1999	<u>70,964</u>	<u>79,862</u>	<u>64,553</u>	<u>47,677</u>	<u>263,056</u>
Net Book Value:					
At 31st March 1999	<u>552,642</u>	<u>52,787</u>	<u>59,053</u>	<u>48,708</u>	<u>713,190</u>
At 31st March 1998	<u>345,653</u>	<u>58,588</u>	<u>60,754</u>	<u>52,240</u>	<u>517,235</u>

**The net book value of land and buildings
at 31st March 1999 comprised:**

	Cost and Valuation £	Depreciation £	Total £
Freehold	188,794	30,023	158,771
Short Leasehold	63,163	40,941	22,222
Investment properties	371,649	-	371,649
	<u>623,606</u>	<u>70,964</u>	<u>552,642</u>

7. Stocks

	1999 £	1998 £
Raw materials	256,428	314,255
Work in progress	146,000	73,402
	<u>402,428</u>	<u>387,657</u>

KNIGHT FARM MACHINERY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH 1999

8. Debtors

	1999	1998
	£	£
Due within one year:		
Trade debtors	356,493	254,379
Taxation	6,919	6,469
Prepayments	32,971	53,255
	<u>396,383</u>	<u>314,103</u>

9. Creditors - amounts falling due within one year

	1999	1998
	£	£
Trade creditors	171,259	152,936
Other creditors	17,999	21,320
Corporation tax	92	55,185
Other taxes and social security	55,372	64,549
Accruals and deferred income	14,398	14,895
	<u>259,120</u>	<u>308,885</u>

10. Provisions for Liabilities and Charges

	Deferred taxation
	£
Charge for the period	1,861
Balance at 31st March 1999	<u>1,861</u>

The deferred tax provision arises as follows:-

KNIGHT FARM MACHINERY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 1999

11. Share capital

	1999	1998
	£	£
Authorised		
Ordinary shares of £1 each	100	100
7% (Net) Cumulative Non-Redeemable Preference	500,000	500,000
	<u>500,100</u>	<u>500,100</u>
	<u><u>£</u></u>	<u><u>£</u></u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	100	100
7% (Net) Cumulative Non-Redeemable Preference	500,000	500,000
	<u>500,100</u>	<u>500,100</u>
	<u><u>£</u></u>	<u><u>£</u></u>

The 7% Cumulative Non-Redeemable Preference Shares do not hold any voting rights, but are paid off at par in the event of a winding up in priority to any repayment on the Ordinary Shares.

12. Profit and loss account

	1999
	£
Balance at 1st April 1998	927,784
Loss suffered for the year	(4,222)
	<u>923,562</u>
Balance at 31st March 1999	<u><u>923,562</u></u>

KNIGHT FARM MACHINERY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 1999

13. Reconciliation of Movements in Shareholders' Funds

	1999	1998
	£	£
Profit for the Financial Year	30,778	211,899
Dividends	35,000	35,000
	<hr/>	<hr/>
Retained (Loss)/Profit for the Year	(4,222)	176,899
Other Recognised Gains and Losses relating to the year	-	500,000
Shareholders' Funds at 1st April 1998	1,427,884	750,985
	<hr/>	<hr/>
Shareholders' Funds at 31st March 1999	1,423,662	1,427,884
Analysed as follows:		
Equity Interests	923,662	927,884
Non Equity Interests	500,000	500,000
	<hr/>	<hr/>
Total Shareholders' Funds at 31st March 1999	1,423,662	1,427,884
	<hr/> <hr/>	<hr/> <hr/>

**14. Reconciliation of operating profit
to net cash (outflow)/inflow from operating activities**

	1999	1998
	£	£
Profit on ordinary activities	22,195	267,182
Depreciation charges	50,916	52,557
Loss on sale of tangible fixed assets	2,201	710
(Increase)/Decrease in stocks	(14,771)	28,560
(Increase)/Decrease in debtors	(81,830)	307,365
Increase/(Decrease) in creditors	5,328	(124,086)
Increase in provisions	1,861	-
	<hr/>	<hr/>
Net cash flow from operating activities	(14,100)	532,288
	<hr/> <hr/>	<hr/> <hr/>

KNIGHT FARM MACHINERY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 1999

15. Gross cash flows

	1999 £	1999 £	1998 £
Returns on investments and servicing of finance			
Interest received	22,616		28,837
Non Equity dividend paid	(35,000)		(35,000)
	<u> </u>	(12,384)	<u> </u>
		<u> </u>	<u> </u>
Capital expenditure			
Payments to acquire tangible fixed assets	(256,572)		(195,590)
Receipts from fixed assets disposals	7,500		2,000
	<u> </u>	(249,072)	<u> </u>
		<u> </u>	<u> </u>

16. Reconciliation of net cash flow to movement in net debt

	1999 £	1999 £	1998 £
(Decrease)/Increase in cash in the year	(345,132)		193,163
	<u> </u>		<u> </u>
Change in net funds resulting from cash flows		(345,132)	193,163
Movement in net funds in the year		(345,132)	193,163
Net funds at 1st April 1998		517,775	324,612
		<u> </u>	<u> </u>
Net funds at 31st March 1999		172,643	517,775
		<u> </u>	<u> </u>

KNIGHT FARM MACHINERY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 1999

17. Analysis of net fund

	Opening Balance £	Cash Flows £	Closing Balance £
Net cash:			
Cash at bank	517,752	(345,203)	172,549
Cash in hand	23	71	94
	<u>517,775</u>	<u>(345,132)</u>	<u>172,643</u>
Debts due within one year:			
Net fund/(debt)	<u>517,775</u>	<u>(345,132)</u>	<u>172,643</u>

18. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

	1999 £	1998 £
Amounts payable:		
After five years	75,392	75,392
	<u>75,392</u>	<u>75,392</u>

19. Pension costs

Both directors are members of the Knight Farm Machinery Limited Pension Scheme. The assets of the scheme are held separately from those of the company. The scheme is a defined contribution scheme, and the directors have authorised the following payments:-

Paid in the Year - regular	£20,000
Future Commitment (reviewable)	£20,000

KNIGHT FARM MACHINERY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 1999

20. Related party transactions

During the year the company engaged in transactions with (1) the Knight Farm Machinery Ltd Directors' Pension Scheme; and (2) R G Knight and Son, a farming partnership in which Mr R G Knight, a director of the company is a partner.

The nature of the transactions were:-

- | | |
|---|---------|
| (1) The Knight Farm Machinery Ltd Directors' Pension Scheme | |
| Rent of Premises - payable by the company | £75,392 |
| (2) R G Knight and Son | |
| Sub-contract Labour - payable by the company | £25,922 |
| Sale of Parts - payable to the company | £3,250 |

At the Balance Sheet date an outstanding balance existed of £3,819 due to the company from R G Knight and Son.

21. Ultimate controlling party

The company is under the control of Mr B G Knight.