

DAYLESFORD ORGANIC LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

Company Registration No 3868901 (England and Wales)

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DAYLESFORD ORGANIC LIMITED

COMPANY INFORMATION

Directors	Lady Bamford Sir Anthony Bamford
Secretary	S Ovens
Company number	3868901
Registered office	11a West Halkin Street London SW1X 8JL
Auditors	Nexia Smith & Williamson 25 Moorgate London EC2R 6AY

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DAYLESFORD ORGANIC LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006**

The directors present their report and financial statements for the year ended 31 December 2006

Principal activities, review of the business and future developments

The principal activity of the company continued to be that of a retail farm shop and cafe located on the Daylesford Organic Farm in Gloucestershire. The company traded at a loss during the year, however the directors are optimistic about the future.

Results and dividends

The results for the year are set out on page 7. The directors do not recommend payment of an ordinary dividend (2005: nil).

Directors

The following directors have held office since 1 January 2006:

Lady Bamford
Sir Anthony Bamford

Statement of disclosures to auditors

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Nexia Smith & Williamson be re-appointed as auditors of the company will be put to the Annual General Meeting.

Directors' responsibilities

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

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the 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 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.

DAYLESFORD ORGANIC LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2006**

Financial instruments

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk and liquidity risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Price risk

The company is exposed to price risk due to normal inflationary increases in the purchase price of the goods and services in purchases in the UK. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

Fair review of the business

Daylesford Organic Limited has shown an increase in sales in over the past year reflecting the expansion of the Brand, specifically into London (Clifton Stores) as well as E-Retail. This increase in sales reflects the continued strength of the Daylesford Brand. Daylesford Organic Limited will continue to expand into London with new stores (Pimlico and Pimlico Garden) as well as Concessions. The E-Retail business will also continue to grow through 2007 and 2008. These developments will impact the business in a positive way with revenue expected to continue to increase year on year for the foreseeable future.

On behalf of the board



Lady Bamford

Director

Nexia Smith & Williamson

Independent auditors' report to the shareholders of Daylesford Organic Limited

We have audited the accounts of Daylesford Organic Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. These accounts have been prepared under 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 audit 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 the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts 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 accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts. We also report to you if in our opinion 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 the 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 misstatement within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion

- the accounts 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 2006 and of its loss for the year then ended,
- the accounts have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors' Report is consistent with the accounts.

Emphasis of matter – going concern

In forming our opinion which is not qualified, we have considered the adequacy of the disclosures in note 1 to the accounts concerning the ability of the company to continue as a going concern. The company incurred a loss of £3,476,383 during the year ended 31 December 2006 and, at that date, the company's liabilities exceeded its total assets by £9,467,149. The conditions explained in note 1 indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The accounts have been prepared on the going concern basis, the validity of which depends upon the support of the directors. The accounts do not include any adjustments that might result if this support is not continuing.

Nexia Smith & Williamson

Nexia Smith & Williamson
Chartered Accountants
Registered Auditors

25 Moorgate
London
EC2R 6AY

Date 10 June 2008

DAYLESFORD ORGANIC LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006**

		2006	2005
	Notes	£	£
Turnover	2	3,620,687	2,631,341
Cost of sales		<u>(2,047,328)</u>	<u>(1,362,976)</u>
Gross profit		1,573,359	1,268,365
Administrative expenses		<u>(5,003,670)</u>	<u>(4,400,584)</u>
Operating loss	3	(3,430,311)	(3,132,219)
Interest payable and similar charges	4	(46,072)	(31,890)
Loss on ordinary activities before taxation		<u>(3,476,383)</u>	<u>(3,164,109)</u>
Taxation			
Tax on loss on ordinary activities	5	-	-
Loss on ordinary activities after taxation	10	<u>(3,476,383)</u>	<u>(3,164,109)</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations
There are no recognised gains and losses other than those passing through the profit and loss account

DAYLISFORD ORGANIC LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2006

	Notes	2006 £	2005 £
Fixed assets			
Tangible assets	6	2,359,133	599,499
Current assets			
Stocks		462,442	385,102
Debtors	7	1,196,359	405,026
Cash at bank and in hand		-	57,345
		<u>1,658,801</u>	<u>847,473</u>
Creditors falling due within one year	8	<u>(13,485,083)</u>	<u>(7,437,738)</u>
Net current liabilities		<u>(11,826,282)</u>	<u>(6,590,265)</u>
Net liabilities		<u>(9,467,149)</u>	<u>(5,990,766)</u>
Capital and reserves			
Called up share capital	9	1	1
Profit and loss account	10	<u>(9,467,150)</u>	<u>(5,990,767)</u>
Shareholders' deficit - equity interests	11	<u>(9,467,149)</u>	<u>(5,990,766)</u>

The financial statements were approved by the Board on

9 June 2008



Lady Bamford
Director

DAYLESFORD ORGANIC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and on the going concern basis

The company made a loss of £3 476 383 during the year ended 31 December 2006 and at that date, the company's liabilities exceeded its assets by £9,467 149. The directors have confirmed that they will provide financial support to enable the company to continue as a going concern and pay its liabilities as they fall due for a period of at least one year from the date of approval of these accounts by the board of directors. On this basis, the directors consider it appropriate to prepare the accounts on the going concern basis. The accounts do not include any adjustments that would be required in the event of the withdrawal of this support.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

Leasehold Improvements	over term of lease
Plant and Machinery	straight line over 2 to 5 years
Fixtures, fittings & equipment	straight line over 2 to 7 years

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Stock

Stock is valued at the lower of cost and net realisable value and consists of finished goods and goods for resale.

DAYLESFORD ORGANIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

1 Accounting policies (continued)

1.8 Deferred taxation

Deferred tax is provided for on a full provision basis on all timing differences which have arisen but not reversed at the balance sheet date. A deferred tax asset is not recognised to the extent that the transfer of economic benefit in future is uncertain. Any assets and liabilities have not been discounted.

1.9 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.10 Pensions

The company is a participating employer in two defined benefit schemes: J.C. Bamford Lifeplan and J.C. Bamford Excavators Limited Senior Directors and Executives Retirement Benefits Scheme, both of which are defined benefit schemes. The company is unable to identify its shares of the underlying assets and liabilities of these schemes. As a result, the company accounts for contributions to the schemes as if they were defined contribution schemes by charging them to the profit and loss account as incurred.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating Loss

	2006	2005
Operating loss is stated after charging	£	£
Depreciation of tangible assets	226,465	232,020
Loss on foreign exchange transactions	8,836	4,730
Operating lease rentals	26,534	13,525
Auditors' remuneration	9,370	7,000

4 Interest payable

	2006	2005
	£	£
On amounts payable to related companies	46,072	31,846
On bank loans and overdrafts	-	45
	<u>46,072</u>	<u>31,890</u>

DAYLESFORD ORGANIC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED
31 DECEMBER 2006**

5 Taxation	2006	2005
	£	£
Current tax charge	-	-
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	<u>(3 476 383)</u>	<u>(3 164 109)</u>
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005 30.00%)	<u>(1,042,915)</u>	<u>(949 233)</u>
Effects of		
Non deductible expenses	41,171	224
Depreciation in excess of capital allowance	49 055	1 589
Other short term timing differences	23 847	-
Unrelieved tax losses	<u>928 842</u>	<u>947,420</u>
Current tax charge	<u>-</u>	<u>-</u>

DAYLESFORD ORGANIC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2006**

6 Tangible fixed assets

	Leasehold improvements	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£	£
Cost				
At 1 January 2006	-	101 239	874,489	975,728
Additions	1 103 164	121 117	838,600	2,062,881
Disposals	-	(41 398)	(96,700)	(138 098)
At 31 December 2006	1 103 164	180 958	1 616,389	2,900,511
Depreciation				
At 1 January 2006	-	38 362	337 867	376 229
Charge for the year	49,184	76,223	101,058	226 465
Disposals	-	(9 749)	(51 567)	(61 316)
At 31 December 2006	49 184	104 836	387,358	541,378
Net book value				
At 31 December 2006	1 053 980	76 122	1 229,031	2,359,133
At 31 December 2005	-	62 877	536 622	599 499

7 Debtors

	2006	2005
	£	£
Trade debtors	155,558	122 676
Amounts owed by group undertakings	258 769	-
Other debtors	298,120	262 973
Prepayments and accrued income	483,912	19 377
	<u>1,196,359</u>	<u>405,026</u>

8 Creditors amounts falling due within one year

	2006	2005
	£	£
Bank overdraft	235 568	-
Trade creditors	4 850 253	4,405 097
Amounts owed to group undertakings	5,165 210	1 177,890
Other creditors	2,988,380	1,725,296
Accruals and deferred income	245 672	129 455
	<u>13,485,083</u>	<u>7,437,738</u>

9 Share capital

	2006	2005
	£	£
Authorised		
10 000 Ordinary shares of £1 each	<u>10 000</u>	<u>10,000</u>
Allotted, called and fully paid up		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

DAYLESFORD ORGANIC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2006**

10 Statement of movements on profit and loss account

	Profit and loss account
Balance at 1 January 2006	(5,990,767)
Retained loss for the year	<u>(3,476,383)</u>
Balance at 31 December 2006	<u>(9,467,150)</u>

11 Reconciliation of movements in shareholders' deficit

	2006 £	2005 £
Loss for the financial year	(3,476,383)	(3,164,109)
Opening shareholders' deficit	(5,990,766)	(2,826,657)
	<u>(9,467,149)</u>	<u>(5,990,766)</u>
Closing shareholders' deficit		

12 Directors' emoluments

	2005 £	2005 £
Emoluments for qualifying services	-	-

13 Financial Commitments

At 31 December 2006 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2007

	Land and buildings 2006 £	2005 £
Operating leases which expire		
Within one year	-	-
Between two and five years	-	-
In over five years	<u>274,633</u>	<u>-</u>
	<u>274,633</u>	<u>-</u>

14 Transactions with directors

During the year the following transactions have been made with companies in which Lady Bamford and her family have an interest

- £Nil (2005 - £6,750) recharges made to Wootton Organic Farms Limited
- £Nil (2005 - £115,072) sales and recharges made to JCB Service
- £Nil (2005 - £279,996) purchases from Wootton Organic Farms Limited
- £901,911 (2005 - £605,424) purchases from JCB Service
- £1,886,468 (2005 - £1,428,429) salary recharge from JCB Service

During the year the company made sales of £147,333 to Lady Bamford and her family at normal commercial rates from Daylesford Organic Limited

Included within debtors are the following amounts

- £1,077 (2005 - £13,291) due from Wootton Organic Farms Limited
- £31,018 (2005 - £72,973) due from JCB Service

DAYLESFORD ORGANIC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2006**

Included within creditors are the following amounts

- £1,198,220 (2005 - £1,598,556) due to Wootton Organic Farms Limited
- £2,969,794 (2005 - £2,724,739) due to JCB Service
- £18,586 (2005 - Nil) due to Daylesford Organic Farms

At the year end the company has also been loaned £- (2005 £981,000) by JCB Service and subsidiaries

15 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

2006	2005
Number	Number
103	91

Employment costs

Wages and salaries
Social security costs
Pension costs

2006	2005
£	£
1,697,949	1,382,272
157,767	131,989
60,146	20,511
1,915,862	1,534,772

16 Pension schemes

The most recent formal actuarial valuation of the JC Bamford Lifeplan and JC Bamford Excavators Limited Senior Directors and Executives Retirement Benefits Scheme was carried out as at 6 April 2004 and 31 December 2003 (both updated to 31 December 2006). The combined net pension liability as at 31 December 2006 was £27.4m.

17 Related Party Transactions

The company has taken advantage of the exemption permitted by FRS8. Related party transactions on the basis that the company is a 100% subsidiary of JCB World Brands Limited and the results have been included in the consolidated accounts of JCB World Brands Limited.

18 Control

The company is a wholly-owned subsidiary of JCB World Brands Limited, a company incorporated in England and Wales, which is ultimately controlled by Lady Bamford.