

**WELSH FARM SUPPLIERS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2005**

The logo consists of the letters 'WR' in a stylized, blue, handwritten font. The 'W' and 'R' are connected at the top, with the 'R' having a long, sweeping tail that loops back towards the 'W'.  
**Whittingham Riddell**  
*chartered accountants*

# WELSH FARM SUPPLIERS LIMITED

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## SOCIETY INFORMATION

### BOARD OF DIRECTORS

N E Perkins (Chairman)  
G Hughes (Deputy Chairman)  
I V Evans  
B B Harris  
D K Thomas (Secretary)  
J Rees

### SECRETARY

D K Thomas

### SOCIETY NUMBER

IP20337R

### REGISTERED OFFICE

Gorseland  
North Road  
Aberystwyth  
Ceredigion  
SY23 2HE

### AUDITORS

Whittingham Riddell LLP  
Chartered Accountants & Registered Auditors &  
Severn House  
Severn Street  
Newtown  
Powys  
SY16 2AG

# WELSH FARM SUPPLIERS LIMITED

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# WELSH FARM SUPPLIERS LIMITED

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## CHAIRMAN'S STATEMENT For the year ended 31 December 2005

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Dear Member,

I present to you our Annual Report and Accounts for 2005. It was a difficult year in which CCF, our largest member started to move all its agricultural trade to United Farmers in Edinburgh. Although this drop in turnover impacted only the last quarter of 2005, the effect on a full year is huge. The overheads of the buying activity based in Aberystwyth have run at around 1.0% of sales. However, with this loss of trade, costs as a portion of sales would have risen to 1.5%, thereby wiping out nearly all dividend for members. Therefore, in December the board initiated a fundamental restructure of our operations. Even though we have provided in full for the £133,000 cost of this restructure, the business still traded at a profit before tax of £37,545 for the year and has a strong balance sheet with net assets of £936,365 – and this is a credit to John and Hywel's stewardship during a difficult period.

Any change process had to start from how members themselves saw the future. Most of the product groups that they supply face steady long-term decline, perhaps with the exception of pet and equine. With the prospect of lower volumes and lower margins, trying to run a successful business means that no overhead is sacrosanct, no process is ring-fenced. Just because suppliers have provided a rebate does not mean it should then be spent on overheads. The simple question we asked for all major cost centres within our business was:- does our overhead also lower costs for our members?

Phase 1 of the changes eliminated our overheads that did not also lower costs for our members:-

1. Ending totally, the process whereby suppliers' invoices were sent to Aberystwyth, processed through an accounting system and then sent on to members. This made sense when there were fifteen members throughout Wales, but was no longer seen as offering a benefit to members: therefore invoices now go directly from the supplier to the member.
2. The business was operating from two sites in Aberystwyth and Craven Arms with all the costs of travel and communication that this creates: therefore the Aberystwyth office is being closed and will provide rental income - and the business will operate from a single site in Craven Arms.

As I write to you now, this phase is reaching completion. The closure of the Aberystwyth office has meant the loss of six jobs: let me record the full measure of appreciation, from our members to these staff, for the work they have carried out, assiduously, over many years. Their professionalism is amply demonstrated by the way they have operated the business, smoothly, during the transition period.

We are now starting Phase 2 where we will bring together all our activities within one business, on one site, with one management team and with one name for the whole business; and the new business will focus on processes that do cut costs for the members:-

1. Collecting rebates from suppliers and passing these on, in full, to the members.
2. Developing our distribution activity which provides members with a wholesale range which can be dovetailed into their shop networks, enabling them to cut slow moving lines from their own central distribution – or remove this overhead completely.
3. Focussing buying activity on a small number of key agricultural deals like blocks and wrap.

These processes need to be taken forward by John and members' buyers, rather than the board. Working with members, John has re-negotiated a very innovative deal for feed-blocks that gives even better terms in a declining market; and is now re-negotiating deals on mineral buckets, gates and lamb creep feeders. This is a progressive organisation that has tackled fundamental questions about its' cost structure. Now we can move on to the phase where we build the value we provide to members, where we do more deals together and where we make intelligent use of our distribution resources. The new business provides big opportunities for all buyers, within all our members, in so many ways.

Name N E Perkins  
**Chairman**

Date 12 July 2006

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# WELSH FARM SUPPLIERS LIMITED

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## DIRECTORS' REPORT For the year ended 31 December 2005

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The Board of Directors present their report and the financial statements for the year ended 31 December 2005.

### STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

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

Law requires the Board of Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the parent and group and of the profit or loss of the group for that period. In preparing those financial statements, the Board of Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Board of Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the parent and group and to enable them to ensure that the financial statements comply with the Industrial and Provident Societies Act 1965 and the Friendly and Industrial and Provident Societies Act 1968. They are also responsible for safeguarding the assets of the parent and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In determining how amounts are presented within items in the profit and loss account and balance sheet, the Board of Directors have had regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.

### PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activity of the society is the sale of agricultural requirements.

A full review of the society's operation has been made by the chairman in his statement.

### RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £29,218 (2004 - £185,702) .

The Board of Directors paid a dividend of £110,112 (2004 - £151,101) .

# WELSH FARM SUPPLIERS LIMITED

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## DIRECTORS' REPORT For the year ended 31 December 2005

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### BOARD OF DIRECTORS

The Board of Directors who served during the year were:

N E Perkins (Chairman)

G Hughes (Deputy Chairman)

I V Evans

B B Harris

D K Thomas (Secretary)

J Rees

K Gosney (resigned 30/9/05)

J Hardman (resigned 11/11/05)

K Stichell (resigned 11/11/05)

No director held any interest in the shares of the society.

### AUDITORS

The auditors, Whittingham Riddell LLP, will be proposed for reappointment at the next AGM.

This report was approved by the board on 12 July 2006 and signed on its behalf.

**D K Thomas (Secretary)**

Director

# WELSH FARM SUPPLIERS LIMITED

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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WELSH FARM SUPPLIERS LIMITED

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We have audited the group and parent society financial statements of Welsh Farm Suppliers Limited for the year ended 31 December 2005 set out on pages 6 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the parent's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the parent's members those matters we are required to state to them in an auditor's 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 parent and the parent'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

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Board of Directors' Responsibilities.

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 Industrial and Provident Societies Act 1965 and the Friendly and Industrial and Provident Societies Act 1968. We also report to you if, in our opinion, the Board of Directors' Report is not consistent with the financial statements, if the group 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 members' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Board of Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Board of Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and parent'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.

# WELSH FARM SUPPLIERS LIMITED

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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WELSH FARM SUPPLIERS LIMITED

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### 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 group's and parent company's affairs as at 31 December 2005 and of the group's profit for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Act 1965, and the Friendly and Industrial and Provident Societies Act 1968.

### Whittingham Riddell LLP

Chartered Accountants & Registered Auditors  
Severn House  
Severn Street  
Newtown  
Powys  
SY16 2AG

12 July 2006

**WELSH FARM SUPPLIERS LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
For the year ended 31 December 2005

	Note	2005 £	<i>As restated</i> 2004 £
<b>TURNOVER</b>	1,2	<b>26,250,757</b>	28,171,965
Cost of sales		<b>(25,053,271)</b>	(27,031,631)
<b>GROSS PROFIT</b>		<b>1,197,486</b>	1,140,334
Selling and distribution costs		<b>(121,075)</b>	(78,721)
Administrative expenses		<b>(912,170)</b>	(862,511)
Other operating income	3	-	10,966
<b>OPERATING PROFIT</b>	4	<b>164,241</b>	210,068
<b>EXCEPTIONAL ITEMS</b>			
Other exceptional items	9	<b>(133,000)</b>	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		<b>31,241</b>	210,068
Amounts written off investments		-	(10,000)
Interest receivable		<b>9,490</b>	14,294
Interest payable	6	<b>(3,186)</b>	(14,244)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>37,545</b>	200,118
<b>TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	7	<b>(8,327)</b>	(14,416)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>29,218</b>	185,702
<b>DIVIDENDS</b>	8	<b>(110,112)</b>	(151,101)
<b>RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>	21	<b>(80,894)</b>	34,601

All amounts relate to continuing operations.

The notes on pages 11 to 24 form part of these financial statements.

## WELSH FARM SUPPLIERS LIMITED

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### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the year ended 31 December 2005

	2005 £	2004 £
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>29,218</b>	<b>185,702</b>
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>	<b>29,218</b>	<b>185,702</b>
Prior year adjustment	110,112	
<b>TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST FINANCIAL STATEMENTS</b>	<b>139,330</b>	

The notes on pages 11 to 24 form part of these financial statements.

# WELSH FARM SUPPLIERS LIMITED

## CONSOLIDATED BALANCE SHEET As at 31 December 2005

			2005	<i>As restated</i>	2004
	Note	£	£	£	£
<b>FIXED ASSETS</b>					
Intangible fixed assets	10		-		45,000
Tangible fixed assets	11		171,831		188,631
Investments	12		6,775		6,773
			178,606		240,404
<b>CURRENT ASSETS</b>					
Stocks	14	607,247		551,576	
Debtors	15	2,772,556		3,467,748	
Cash at bank and in hand		1,286,505		1,899,029	
		4,666,308		5,918,353	
<b>CREDITORS:</b> amounts falling due within one year	16		(3,785,799)	(5,098,975)	
<b>NET CURRENT ASSETS</b>			880,509		819,378
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			1,059,115		1,059,782
<b>CREDITORS:</b> amounts falling due after more than one year	17		(2,750)		(9,862)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
Other provisions	20		(120,000)		-
<b>NET ASSETS</b>			936,365		1,049,920
<b>CAPITAL AND RESERVES</b>					
Called up share capital			360,600		393,261
Other reserves	21		30,000		30,000
Profit and loss account	21		545,765		626,659
<b>SHAREHOLDERS' FUNDS - ALL EQUITY</b>	22		936,365		1,049,920

The financial statements were approved by the board on 12 July 2006 and signed on its behalf.

**N E Perkins (Chairman)**  
Director

**J Rees**  
Director

The notes on pages 11 to 24 form part of these financial statements.

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# WELSH FARM SUPPLIERS LIMITED

## PARENT BALANCE SHEET As at 31 December 2005

			2005	<i>As restated</i>	2004
	Note	£	£	£	£
<b>FIXED ASSETS</b>					
Tangible fixed assets	11		130,390		119,443
Investments	12		6,775		206,772
			137,165		326,215
<b>CURRENT ASSETS</b>					
Debtors	15	2,925,006		3,562,608	
Investments		200,000		-	
Cash at bank and in hand		1,156,638		1,757,010	
			4,281,644		5,319,618
<b>CREDITORS:</b> amounts falling due within one year	16		(3,450,626)		(4,702,505)
<b>NET CURRENT ASSETS</b>			831,018		617,113
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			968,183		943,328
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
Other provisions	20		(120,000)		-
<b>NET ASSETS</b>			848,183		943,328
<b>CAPITAL AND RESERVES</b>					
Called up share capital	19		360,600		393,261
Profit and loss account	21		487,583		550,067
<b>SHAREHOLDERS' FUNDS - All Equity</b>	22		848,183		943,328

The financial statements were approved by the board on 12 July 2006 and signed on its behalf.

**N E Perkins (Chairman)**  
Director

**J Rees**  
Director

The notes on pages 11 to 24 form part of these financial statements.

**WELSH FARM SUPPLIERS LIMITED**

**CASH FLOW STATEMENT  
For the year ended 31 December 2005**

	Note	2005 £	2004 £
Net cash flow from operating activities	24	(415,162)	323,552
Returns on investments and servicing of finance	25	(3,531)	571
Taxation		(16,661)	(12,844)
Capital expenditure and financial investment	25	(27,089)	(28,241)
Equity dividends paid		(110,112)	(151,101)
<b>CASH (OUTFLOW)/INFLOW BEFORE FINANCING</b>		<b>(572,555)</b>	<b>131,937</b>
Financing	25	(39,969)	5,756
<b>(DECREASE)/INCREASE IN CASH IN THE YEAR</b>		<b>(612,524)</b>	<b>137,693</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT  
For the year ended 31 December 2005**

	2005 £	2004 £
(Decrease)/Increase in cash in the year	(612,524)	137,693
Cash outflow from decrease in debt and lease financing	7,308	15,120
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<b>(605,216)</b>	<b>152,813</b>
Net funds at 1 January 2005	1,881,027	1,728,214
<b>NET FUNDS AT 31 DECEMBER 2005</b>	<b>1,275,811</b>	<b>1,881,027</b>

The notes on pages 11 to 24 form part of these financial statements.

# WELSH FARM SUPPLIERS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2005

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### 1. ACCOUNTING POLICIES

#### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

#### 1.2 Basis of consolidation

The financial statements consolidate the accounts of Welsh Farm Suppliers Limited and all of its subsidiary undertakings ('subsidiaries').

The results of subsidiaries sold are included up to the effective date of disposal.

#### 1.3 Investments

(i) Subsidiary Undertakings

Shares in subsidiaries are valued at cost less provision for permanent impairment.

(ii) Other investments

Investments held as fixed assets are shown at cost less provisions for their permanent impairment.

#### 1.4 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of Value Added Tax and trade discounts.

#### 1.5 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated economic life. The goodwill carrying value will be reviewed annually for impairment.

#### 1.6 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 of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	40 years straight line
Plant & Machinery	-	4 years straight line
Motor Vehicles	-	4 years straight line
Fixtures & Fittings	-	4 - 9 years straight line
Office Equipment	-	3 - 4 years straight line

#### 1.7 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

# WELSH FARM SUPPLIERS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2005

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### 1.8 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account as incurred.

### 1.9 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

### 1.10 Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

### 1.11 Pensions

The parent operates a defined contribution pension scheme and the pension charge represents the amounts payable by the parent to the fund in respect of the year.

## 2. TURNOVER

The whole of the turnover is attributable to the sale of agricultural requirements and hardware wholesale.

All turnover arose within the United Kingdom.

## 3. OTHER OPERATING INCOME

	2005 £	2004 £
PHI income	-	10,966

# WELSH FARM SUPPLIERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2005

### 4. OPERATING PROFIT

The Operating profit is stated after charging:

	2005 £	2004 £
Amortisation - intangible fixed assets	45,000	15,000
Depreciation of tangible fixed assets:		
- owned by the company	44,201	38,868
- held under finance leases	3,825	12,182
Auditors' remuneration	12,700	10,050
Auditors' remuneration - non-audit	13,000	1,215
Operating lease rentals:		
- other operating leases	44,733	44,569
Directors remuneration	63,350	63,350
Directors pension contributions	5,304	5,136
	<u>          </u>	<u>          </u>

Auditors fees for the Company were £7,500 (2004:£6,450)

### 5. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2005 £	2004 £
Wages and salaries	581,922	526,281
Social security costs	48,600	43,693
Other pension costs	14,855	16,117
	<u>645,377</u>	<u>586,091</u>

The average monthly number of employees during the year was as follows:

	2005 No.	2004 No.
Office staff and management	<u>36</u>	<u>32</u>

**WELSH FARM SUPPLIERS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2005

**6. INTEREST PAYABLE**

	2005	2004
	£	£
On bank loans and overdrafts	2,017	1,454
On other loans	-	9,832
On finance leases and hire purchase contracts	1,169	2,958
	3,186	14,244
	3,186	14,244

**7. TAXATION**

	2005	2004
	£	£
<b>Analysis of tax charge in year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profits of the year	11,272	17,811
Adjustments in respect of prior periods	(1,150)	(2,159)
	10,122	15,652
	-	-
<b>Total current tax</b>	<b>10,122</b>	<b>15,652</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(1,795)	(1,236)
<b>Total deferred tax</b> (see note 18)	<b>(1,795)</b>	<b>(1,236)</b>
<b>Tax on profit on ordinary activities</b>	<b>8,327</b>	<b>14,416</b>

## WELSH FARM SUPPLIERS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2005

#### Factors affecting tax charge for year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK applicable to the group (19%). The differences are explained below:

	2005	2004
	£	£
Profit on ordinary activities before tax	<b>37,545</b>	200,118
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2004 - 19%)	<b>7,134</b>	38,022
<b>Effects of:</b>		
Expenses not deductible for tax purposes	742	2,114
Capital allowances for period in excess of depreciation	-	1,080
Utilisation of tax losses	<b>(7,524)</b>	(23,111)
Rollover relief on profit on disposal of fixed assets	<b>10,920</b>	-
Marginal Relief	-	(294)
Adjustments to tax charge in respect of prior periods	<b>(1,150)</b>	(2,159)
<b>Current tax charge for year</b> (see note above)	<b>10,122</b>	15,652

There were no factors that may affect future tax charges.

#### 8. DIVIDENDS

	2005	<i>As restated</i> 2004
	£	£
Total dividends paid	<b>110,112</b>	151,101

During the year the society has adopted FRS 21, Events After the Balance Sheet Date, in the financial statements. The adoption of this new reporting standard represents a change in accounting policy and the comparative figures have been restated accordingly. Please see note 23 for details.

#### 9. EXCEPTIONAL ITEMS

	2005	2004
	£	£
Office costs	20,000	-
Administrative costs	29,000	-
Severance pay	76,000	-
Other costs	<b>8,000</b>	-
	<b>133,000</b>	-

## WELSH FARM SUPPLIERS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2005

#### 10. INTANGIBLE FIXED ASSETS

<b>Group Cost</b>	<b>Goodwill £</b>
At 1 January 2005 and 31 December 2005	<b>90,000</b>
<b>Amortisation</b>	
At 1 January 2005	<b>45,000</b>
Charge for the year	<b>45,000</b>
At 31 December 2005	<b>90,000</b>
<b>Net book value</b>	
At 31 December 2005	<b>-</b>
<i>At 31 December 2004</i>	<i>45,000</i>

During the year, an impairment review was carried out on the value of the goodwill, and it was written down to NIL.

#### 11. TANGIBLE FIXED ASSETS

	Land and buildings	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Total
<b>Group</b>	£	£	£	£	£
<b>Cost or valuation</b>					
At 1 January 2005	110,000	130,389	70,664	77,383	388,436
Additions	-	5,500	24,605	5,484	35,589
Disposals	-	-	(23,955)	-	(23,955)
At 31 December 2005	110,000	135,889	71,314	82,867	400,070
<b>Depreciation</b>					
At 1 January 2005	19,250	91,534	37,240	51,781	199,805
Charge for the year	2,750	22,513	16,760	6,003	48,026
On disposals	-	-	(19,592)	-	(19,592)
At 31 December 2005	22,000	114,047	34,408	57,784	228,239
<b>Net book value</b>					
At 31 December 2005	88,000	21,842	36,906	25,083	171,831
<i>At 31 December 2004</i>	<i>90,750</i>	<i>38,855</i>	<i>33,424</i>	<i>25,602</i>	<i>188,631</i>

**WELSH FARM SUPPLIERS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2005

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

<b>Group</b>	<b>2005</b>	<b>2004</b>
	£	£
Plant and machinery	6,166	12,332
Motor vehicles	-	3,825
	<b>6,166</b>	<b>16,157</b>

<b>Parent</b>	<b>Land and buildings</b>	<b>Motor vehicles</b>	<b>Furniture, fittings and equipment</b>	<b>Total</b>
	£	£	£	£
<b>Cost</b>				
At 1 January 2005	110,000	48,864	4,352	163,216
Additions	-	24,605	5,484	30,089
Disposals	-	(17,455)	-	(17,455)
	<b>110,000</b>	<b>56,014</b>	<b>9,836</b>	<b>175,850</b>
<b>Depreciation</b>				
At 1 January 2005	19,250	19,265	5,258	43,773
Charge for the year	2,750	12,935	(906)	14,779
On disposals	-	(13,092)	-	(13,092)
	<b>22,000</b>	<b>19,108</b>	<b>4,352</b>	<b>45,460</b>
<b>Net book value</b>				
At 31 December 2005	<b>88,000</b>	<b>36,906</b>	<b>5,484</b>	<b>130,390</b>
<i>At 31 December 2004</i>	<i>90,750</i>	<i>29,599</i>	<i>(906)</i>	<i>119,443</i>

**12. FIXED ASSET INVESTMENTS**

<b>Group</b>	<b>Unlisted investments</b>
	£
<b>Cost</b>	
At 1 January 2005	6,773
Additions	2
	<b>6,775</b>

**WELSH FARM SUPPLIERS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2005

<b>Parent</b>	<b>Share in group under- takings £</b>	<b>Unlisted Investments £</b>	<b>Total £</b>
<b>Cost or valuation</b>			
At 1 January 2005	200,000	6,773	206,773
Additions	-	2	2
Transfer to current investments	(200,000)	-	(200,000)
	<u>-</u>	<u>6,775</u>	<u>6,775</u>
At 31 December 2005	<u>-</u>	<u>6,775</u>	<u>6,775</u>

Details of the principal subsidiaries can be found under note number 13.

The investment in the subsidiary undertaking Border Distribution (2000) Limited is shown as a current investment on the basis that the group is undergoing a restructuring programme during the next financial year.

**13. PRINCIPAL SUBSIDIARIES**

**Principal subsidiaries**

<b>Company name</b>	<b>Country</b>	<b>Percentage Shareholding</b>	<b>Description</b>
Border Distribution 2000 Limited	United Kingdom	100	Trading
Border Distribution Limited	United Kingdom	100	Dormant

**14. STOCKS**

	<b>Group</b>		<b>Parent</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	£	£	£	£
Finished goods and goods for resale	<u>607,247</u>	<u>551,576</u>	<u>-</u>	<u>-</u>

# WELSH FARM SUPPLIERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2005

### 15. DEBTORS

	Group		Parent	
	2005	2004	2005	2004
	£	£	£	£
<b>Due after more than one year</b>				
Amounts owed by group undertakings	-	-	-	505,242
<b>Due within one year</b>				
Trade debtors	2,669,184	3,372,468	2,317,066	2,964,452
Amounts owed by group undertakings	-	-	507,924	-
Other debtors	91,531	92,202	91,530	92,201
Prepayments and accrued income	8,486	1,518	8,486	713
Deferred tax asset (see note 18)	3,355	1,560	-	-
	<b>2,772,556</b>	<b>3,467,748</b>	<b>2,925,006</b>	<b>3,562,608</b>
	<b>2,772,556</b>	<b>3,467,748</b>	<b>2,925,006</b>	<b>3,562,608</b>

### 16. CREDITORS: Amounts falling due within one year

	Group		Parent	
	<i>As restated</i>		<i>As restated</i>	
	2005	2004	2005	2004
	£	£	£	£
Net obligations under finance leases and hire purchase contracts	7,944	8,140	-	-
Trade creditors	3,628,214	4,913,818	3,350,020	4,572,645
Corporation tax	11,272	17,811	937	2,311
Social security and other taxes	51,735	32,597	17,640	13,449
Other creditors	-	9,832	-	9,832
Accruals and deferred income	86,634	116,777	82,029	104,268
	<b>3,785,799</b>	<b>5,098,975</b>	<b>3,450,626</b>	<b>4,702,505</b>
	<b>3,785,799</b>	<b>5,098,975</b>	<b>3,450,626</b>	<b>4,702,505</b>

### 17. CREDITORS: Amounts falling due after more than one year

	Group		Parent	
	2005	2004	2005	2004
	£	£	£	£
Net obligations under finance leases and hire purchase contracts	2,750	9,862	-	-
	<b>2,750</b>	<b>9,862</b>	<b>-</b>	<b>-</b>
	<b>2,750</b>	<b>9,862</b>	<b>-</b>	<b>-</b>

# WELSH FARM SUPPLIERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2005

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	<b>Group</b>		<b>Parent</b>	
	2005	2004	2005	2004
	£	£	£	£
Between two and five years	<b>2,750</b>	9,862	-	-
	<u>2,750</u>	<u>9,862</u>	<u>-</u>	<u>-</u>

### 18. DEFERRED TAXATION

	<b>Group</b>		<b>Parent</b>	
	2005	2004	2005	2004
	£	£	£	£
At 1 January 2005	(1,560)	(324)	-	-
(Released during)/charge for the year	(1,795)	(1,236)	-	-
At 31 December 2005	<b>(3,355)</b>	(1,560)	-	-
	<u>(3,355)</u>	<u>(1,560)</u>	<u>-</u>	<u>-</u>

The (deferred tax asset)/provision for deferred taxation is made up as follows:

	2005	2004	2005	2004
	£	£	£	£
Accelerated capital allowances	(3,355)	(1,560)	-	-
	<u>(3,355)</u>	<u>(1,560)</u>	<u>-</u>	<u>-</u>

### 19. SHARE CAPITAL

	2005	2004
	£	£
<b>Authorised, allotted, called up and fully paid</b>		
360,600 Ordinary shares of £1 each	<b>360,600</b>	393,261
	<u>360,600</u>	<u>393,261</u>

During the year, an investment was repaid to a member society for £40,000. Also during the year, some other members increased their shareholding in Welsh Farm Suppliers Limited in lieu of dividend payments. These share issues amounted to £7,339.

### 20. PROVISIONS

<b>Group</b>	<b>Restructur e costs</b>	<b>Total</b>
	£	£
Additions	120,000	120,000
At 31 December 2005	<b>120,000</b>	<b>120,000</b>
	<u>120,000</u>	<u>120,000</u>

#### Provisions

At the balance sheet date, the company had committed to a group restructuring programme. This provision is made for costs that were committed to by the balance sheet date.

**WELSH FARM SUPPLIERS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2005

<b>Parent</b>	<b>Restructure costs £</b>	<b>Total £</b>
Additions	<b>120,000</b>	<b>120,000</b>
At 31 December 2005	<b>120,000</b>	<b>120,000</b>

**Provisions**

At the balance sheet date, the company had committed to a group restructuring programme. This provision is made for costs that were committed to by the balance sheet date.

**21. RESERVES**

<b>Group</b>	<b>Other reserves £</b>	<b>Profit and loss account £</b>
At 1 January 2005	<b>30,000</b>	<b>516,547</b>
Prior year adjustment (note 23)	-	<b>110,112</b>
At 1 January 2005 as restated	<b>30,000</b>	<b>626,659</b>
Loss retained for the year		<b>(80,894)</b>
At 31 December 2005	<b>30,000</b>	<b>545,765</b>
<b>Parent</b>		<b>Profit and loss account £</b>
At 1 January 2005		<b>439,955</b>
Prior year adjustment (note 23)		<b>110,112</b>
At 1 January 2005 as restated		<b>550,067</b>
Loss retained for the year		<b>(60,977)</b>
At 31 December 2005		<b>489,090</b>

# WELSH FARM SUPPLIERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2005

### 22. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2005	<i>As restated</i> 2004
<b>Group</b>	£	£
Profit for the year	29,218	185,702
Dividends	(110,112)	(151,101)
	<u>(80,894)</u>	<u>34,601</u>
Shares issued during the year	7,339	20,876
Repayment of members shareholding	(40,000)	-
	<u>(113,555)</u>	<u>55,477</u>
Opening shareholders' funds	1,049,920	994,443
Closing shareholders' funds	<u><u>936,365</u></u>	<u><u>1,049,920</u></u>
	2005	<i>As restated</i> 2004
<b>Parent</b>	£	£
Profit for the year	47,628	141,783
Dividends	(110,112)	(151,101)
	<u>(62,484)</u>	<u>(9,318)</u>
Shares issued during the year	7,339	20,876
Repayment of members shareholding		
	<u>(95,145)</u>	<u>11,558</u>
Opening shareholders' funds	943,328	931,770
Closing shareholders' funds	<u><u>848,183</u></u>	<u><u>943,328</u></u>

The parent has taken advantage of the exemption contained within section 230 of the Companies Act 1985 not to present its own profit and loss account.

### 23. PRIOR YEAR ADJUSTMENT

During the year the company has adopted FRS 21, Events after the balance sheet date, in the financial statements. The adoption of this new reporting standard represents a change in accounting policy and the comparative figures have been restated accordingly.

The effect of the change in accounting policy to adopt FRS 21 was to increase the dividend paid by £110,112 (2004: increase by £40,989) and to decrease the profit for the financial year by £110,112 (2004 : decrease by £40,989). The adjustment to opening reserves is shown in note 20.

# WELSH FARM SUPPLIERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2005

### 24. NET CASH FLOW FROM OPERATING ACTIVITIES

	2005 £	2004 £
Operating profit	164,241	210,068
Exceptional items	(133,000)	-
Amortisation of intangible fixed assets	45,000	15,000
Depreciation of tangible fixed assets	48,026	51,051
Profit on disposal of tangible fixed assets	(4,137)	(6,860)
Increase in stocks	(55,671)	(8,600)
Decrease in debtors	696,986	508,853
Decrease in creditors	(1,296,607)	(445,959)
Increase in provisions	120,000	-
<b>NET CASH (OUTFLOW)/INFLOW FROM OPERATIONS</b>	<b>(415,162)</b>	<b>323,553</b>

### 25. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2005 £	2004 £
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Interest received	9,490	14,294
Interest paid	(11,852)	(10,765)
Hire purchase interest	(1,169)	(2,958)
<b>NET CASH (OUTFLOW)/INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	<b>(3,531)</b>	<b>571</b>

	2005 £	2004 £
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		
Purchase of tangible fixed assets	(35,589)	(37,291)
Sale of tangible fixed assets	8,500	9,050
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>	<b>(27,089)</b>	<b>(28,241)</b>

	2005 £	2004 £
<b>FINANCING</b>		
Issue of ordinary shares	7,339	20,876
Repayment of member shareholding	(40,000)	-
New finance lease	(7,308)	(15,120)
<b>NET CASH (OUTFLOW)/INFLOW FROM FINANCING</b>	<b>(39,969)</b>	<b>5,756</b>

# WELSH FARM SUPPLIERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2005

### 26. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2005 £	Cash flow £	Other non-cash changes £	31 December 2005 £
Cash at bank and in hand:	1,899,029	(612,524)	-	1,286,505
<b>DEBT :</b>				
Finance leases	(18,002)	7,308	-	(10,694)
<b>NET FUNDS</b>	<u>1,881,027</u>	<u>(605,216)</u>	<u>-</u>	<u>1,275,811</u>

### 27. PENSION COMMITMENTS

Certain of the society's employees are members of the Welsh Farm Suppliers (1995) Pension Scheme, which is a defined contribution pension scheme. The society contributes 10% of gross earnings to the scheme. The parent society's pension cost charge represents contributions payable by the society to the fund and amounted to £14,855 (2004: £16,117). Contributions totalling £nil (2004: £nil) were payable to the fund at the balance sheet date and are included in creditors.

Certain of the subsidiary company employees are members of a stakeholder pension scheme held separately from the Welsh Farm Suppliers (1995) Pension Scheme. The scheme is a defined contribution scheme. The company contributes between 3% and 10% of gross earnings to the scheme. The subsidiary company's pension cost charge represents contributions payable by the company to the fund and amounted to £2,347 (2004: £4,659). Contributions totalling £nil (2004: £nil) were payable to the fund at the balance sheet date.

### 28. OPERATING LEASE COMMITMENTS

At 31 December 2005 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			Other
Group	2005	2004	2005	2004
Expiry date:	£	£	£	£
Between 2 and 5 years	-	-	2,185	2,185
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>