



WFSborder

**Welsh Farm Suppliers Limited  
(now WFSborder Limited)**

**Director's Report and Financial Statements**

**For the year ended 31 December 2006**

The logo for Whittingham Riddell, consisting of the letters 'WR' in a stylized, blue, handwritten font.

**Whittingham Riddell**

*chartered accountants*

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**WELSH FARM SUPPLIERS LIMITED**

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**COMPANY INFORMATION**

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**BOARD OF DIRECTORS**

N E Perkins (Chairman)  
G E Hughes (Deputy Chairman)  
I V Evans  
B B Harris  
D K Thomas (Secretary)  
J D Rees  
P Woolmer (appointed 10/5/06)

**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 Square  
Newtown  
Powys  
SY16 2AG

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**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 2006

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Dear Member

I explained in last year's report that 2006 would be a year of transition. Complexity drives cost: there was complexity in how we got invoices to members; complexity in how we worked from two sites and complexity in how we traded through a subsidiary. Cutting costs, in the long-term, means creating a new, simpler and better way of doing business. Hence in 2006: the Aberystwyth office closed; all operations were established on a single site at Craven Arms and since the year end, the Society changed its' name to WFSborder Ltd. and incorporated the subsidiary undertaking Border Distribution 2000 Ltd.

In last year's accounts the directors provided, in full, for the cost of re-structuring and this included fair and appropriate settlements for the staff that left the business. I pay full credit to John for the way he dealt with the transition at a human level with the staff; at a legal level ensuring the Society acted properly at all times and of course at the financial level which is measured by these accounts. The budget for 2006 was a profit of around £70k – the actual pre-tax profit was £84k. I can think of very few businesses that have gone through this measure of change and produced a profit ahead of budget, brought the re-structure in within provision and strengthened the balance sheet. In the consolidated accounts, net assets have increased by £48k to £984k and each £1.00 of current liabilities is covered by £2.41 of current assets and £1.40 of debtors and cash.

The total consolidated turnover of £9.1m consists of a full year's trading of the wholesale and amenity businesses £4.1m (2005: £3.7m) and the balance is the re-invoicing activity which ended in summer 2006. Therefore, the total turnover figure cannot be used as a comparator. The trading of the wholesale business is stable and the amenity business is showing steady growth and is integrating well at Craven Arms.

You may recall from last year's report that we outlined one of our objectives: "Focussing buying activity on a small number of key agricultural deals like blocks and wrap." How, therefore, is group buying developing? Our track-record on feed blocks is established, so let's evaluate progress with silage wrap buying at WFSborder.

I suppose that an old-fashioned buying group would approach buying silage wrap with retrospective rebates that were as clear as mud, to add complexity for buyers and would kick off the season with a low price on an obscure product, to add complexity for the branches. WFSborder aims to do better than this; our members' buyers need something better. They want:

1. A strong deal which is identical for all members;
2. Fewer suppliers and/or product lines to simplify selling and stock handling;
3. Deals ideally priced on a net: net basis to remove complexity from their purchase invoice processing, stock valuation and margin reporting.

So, our members' buyers met and agreed on a strong and simplified product range for silage wrap, that is standard in all our members' stores; this was key. Then we negotiated to maximise payment cycles; to reduce risks of carry-over stocks and of course to get a keen net: net price, guaranteed for the season. Members can do this on their own, but when they work as a tight group, with John, solid results can be achieved, surprisingly quickly. In a single deal worth £1.4m at the counter, members tied up 100% of their requirements with one supplier.

Some suppliers are taking a little time to appreciate that WFSborder means business: those that want to cling on to the old ways, may well lose out, big-time; whilst those that work with us in partnership, get what they need, more volume.

Name N E Perkins  
Chairman

Date 10 July 2007

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## WELSH FARM SUPPLIERS LIMITED

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### BOARD OF DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

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The Board of Directors present their report and the financial statements for the year ended 31 December 2006.

#### 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 regulations.

Law requires the Board of Directors to prepare financial statements for each financial year. Under that law the Board of Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the society and the group and of the profit or loss of the group for that period. In preparing these financial statements, the Board of Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- 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 that disclose with reasonable accuracy at any time the financial position of the society and the group and 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 - 2002. They are also responsible for safeguarding the assets of the society and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the Board of Directors is aware at the time the report is approved:

- there is no relevant audit information of which the society's auditors are unaware, and
- the Board of Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

#### PRINCIPAL ACTIVITIES

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

#### BUSINESS REVIEW

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 £77,449 (2005 - £29,221).

The Society paid a dividend based on the members trading activity with the subsidiary undertaking Border Distribution 2000 Limited. The amount of the dividend is £29,501.

A further dividend has been proposed in relation to this year, but has not been accrued in these accounts. The dividend will be based on 5% of investment, and 4% of eligible turnover with Border Distribution Limited.

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**WELSH FARM SUPPLIERS LIMITED**

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

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**BOARD OF DIRECTORS**

The Board of Directors who served during the year were:

N E Perkins (Chairman)  
G E Hughes (Deputy Chairman)  
I V Evans  
B B Harris  
D K Thomas (Secretary)  
J D Rees  
P Woolmer (appointed 10/5/06)

No member of the Board of Directors in the shares of the society.

**EVENTS SINCE THE END OF THE YEAR**

Since the year end, the Society has changed its name to WFSBorder Limited and this incorporated the trade of the subsidiary undertaking Border Distribution 2000 Limited. WFSBorder Limited remains an Industrial and Provident Society registered with the Financial Services Authority.

**AUDITORS**

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

This report was approved by the board on 10 July 2007 and signed on its behalf.

**D K Thomas (Secretary)**  
Director

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## 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 (the "financial statements") of Welsh Farm Suppliers Limited for the year ended 31 December 2006 set out on pages 6 to 24. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the society'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 society'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 society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### RESPECTIVE RESPONSIBILITIES OF BOARD OF DIRECTORS AND AUDITORS

The Board of 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 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 1965 - 2002. We also report to you whether in our opinion the information given in the Board of Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the society 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 Board of Directors' 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 society'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.

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**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 society's affairs as at 31 December 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Act 1965 and the Friendly and Industrial and Provident Societies Act 1965 - 2002; and
- the information given in the Board of Directors' Report is consistent with the financial statements.

**WHITTINGHAM RIDDELL LLP**

Chartered Accountants  
Registered Auditors

Severn House  
Severn Square  
Newtown  
Powys  
SY16 2AG

11 July 2007

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**WELSH FARM SUPPLIERS LIMITED**

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

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	Note	2006 £	2005 £
<b>TURNOVER</b>	1,2	<b>9,138,035</b>	<i>26,250,757</i>
Cost of sales		<b>(8,143,876)</b>	<i>(25,053,271)</i>
<b>GROSS PROFIT</b>		<b>994,159</b>	<i>1,197,486</i>
Selling and distribution costs		<b>(131,601)</b>	<i>(121,075)</i>
Administrative expenses		<b>(782,558)</b>	<i>(912,170)</i>
<b>OPERATING PROFIT</b>	3	<b>80,000</b>	<i>164,241</i>
<b>EXCEPTIONAL ITEMS</b>			
Other exceptional items	7	-	<i>(133,000)</i>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		<b>80,000</b>	<i>31,241</i>
Interest receivable		<b>6,098</b>	<i>9,493</i>
Interest payable	6	<b>(1,825)</b>	<i>(3,186)</i>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>84,273</b>	<i>37,548</i>
Tax on profit on ordinary activities	8	<b>(6,824)</b>	<i>(8,327)</i>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	21	<b>77,449</b>	<i>29,221</i>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2006 or 2005 other than those included in the profit and loss account.

The notes on pages 10 to 24 form part of these financial statements.

**WELSH FARM SUPPLIERS LIMITED**

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2006**

	Note	£	2006 £	£	2005 £
<b>FIXED ASSETS</b>					
Tangible fixed assets	10		198,847		171,829
Fixed asset investments	11		8,025		6,775
			206,872		178,604
<b>CURRENT ASSETS</b>					
Stocks	12	556,366		607,247	
Debtors	13	610,211		2,772,556	
Cash at bank and in hand		162,153		1,286,505	
		1,328,730		4,666,308	
<b>CREDITORS:</b> amounts falling due within one year	16		(551,286)	(3,785,794)	
<b>NET CURRENT ASSETS</b>			777,444		880,514
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			984,316		1,059,118
<b>CREDITORS:</b> amounts falling due after more than one year	17		-	(2,750)	
<b>PROVISIONS FOR LIABILITIES</b>					
Other provisions	19		-	(120,000)	
<b>NET ASSETS</b>			984,316		936,368
<b>CAPITAL AND RESERVES</b>					
Called up share capital	20		360,600		360,600
Other reserves	21		30,000		30,000
Profit and loss account	21		593,716		545,768
<b>SHAREHOLDERS' FUNDS</b>	22		984,316		936,368

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 10 July 2007.

**N E Perkins (Chairman)**  
Board of Directors

**J D Rees**  
Board of Directors

The notes on pages 10 to 24 form part of these financial statements.

**WELSH FARM SUPPLIERS LIMITED**

**SOCIETY BALANCE SHEET  
AS AT 31 DECEMBER 2006**

	Note	£	2006 £	£	2005 £
<b>FIXED ASSETS</b>					
Tangible fixed assets	10		130,337		130,388
Fixed asset investments	11		6,775		6,775
			137,112		137,163
<b>CURRENT ASSETS</b>					
Debtors	13	590,399		2,925,006	
Investments	14	200,000		200,000	
Cash at bank		52,871		1,156,638	
		843,270		4,281,644	
<b>CREDITORS:</b> amounts falling due within one year	16		(117,637)		(3,450,620)
<b>NET CURRENT ASSETS</b>			725,633		831,024
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			862,745		968,187
<b>PROVISIONS FOR LIABILITIES</b>					
Other provisions	19		-		(120,000)
<b>NET ASSETS</b>			862,745		848,187
<b>CAPITAL AND RESERVES</b>					
Called up share capital	20		360,600		360,600
Profit and loss account	21		502,145		487,587
<b>SHAREHOLDERS' FUNDS</b>	22		862,745		848,187

The financial statements were approved and authorised for issue by the board on and were signed on its behalf on 10 July 2007.

**N E Perkins (Chairman)**  
Board of Directors

**J D Rees**  
Board of Directors

The notes on pages 10 to 24 form part of these financial statements.

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**WELSH FARM SUPPLIERS LIMITED**

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**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2006**

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	Note	2006 £	2005 £
Net cash flow from operating activities	24	(1,018,397)	(415,162)
Returns on investments and servicing of finance	25	4,273	(3,531)
Taxation		(9,827)	(16,661)
Capital expenditure and financial investment	25	(62,956)	(27,089)
Equity dividends paid		(29,501)	(110,112)
<b>CASH OUTFLOW BEFORE FINANCING</b>		<b>(1,116,408)</b>	<b>(572,555)</b>
Financing	25	(7,944)	(39,969)
<b>DECREASE IN CASH IN THE YEAR</b>		<b>(1,124,352)</b>	<b>(612,524)</b>

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**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT  
FOR THE YEAR ENDED 31 DECEMBER 2006**

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	2006 £	2005 £
Decrease in cash in the year	(1,124,352)	(612,524)
Cash outflow from decrease in debt and lease financing	7,944	7,308
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<b>(1,116,408)</b>	<b>(605,216)</b>
Net funds at 1 January 2006	1,275,811	1,881,027
<b>NET FUNDS AT 31 DECEMBER 2006</b>	<b>159,403</b>	<b>1,275,811</b>

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The notes on pages 10 to 24 form part of these financial statements.

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

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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').

**1.3 Turnover**

Turnover comprises revenue recognised by the society in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

**1.4 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.

**1.5 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
Plant & Machinery	-	4 years
Motor Vehicles	-	4 years
Fixtures & Fittings	-	4 - 9 years
Office Equipment	-	3 - 4 years

**1.6 Investments**

(i) Subsidiary Undertakings

Investments in subsidiaries are valued at cost less provision for impairment.

(ii) Other investments

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

**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 society. 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.

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**WELSH FARM SUPPLIERS LIMITED**

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

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**1. ACCOUNTING POLICIES (continued)**

**1.8 Operating leases**

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

**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**

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are discounted.

**1.11 Pensions**

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

**2. TURNOVER**

All turnover arose within the United Kingdom.

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**WELSH FARM SUPPLIERS LIMITED**

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

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**3. OPERATING PROFIT**

The operating profit is stated after charging:

	2006 £	2005 £
Amortisation - intangible fixed assets	-	45,000
Depreciation of tangible fixed assets:		
- owned by the society	36,350	38,034
- held under finance leases	6,166	9,991
Auditors' remuneration	11,800	12,700
Operating lease rentals:		
- other operating leases	46,238	44,733
Directors salaries	55,339	55,634
Directors pension costs	5,495	5,304
	<u>                    </u>	<u>                    </u>

Auditors' fees for the society were £7,000 (2005 - £8,100)

**4. STAFF COSTS**

Staff costs, including Board of Directors' remuneration, were as follows:

Wages and salaries	507,746	576,618
Social security costs	52,992	48,600
Other pension costs	17,808	20,159
	<u>                    </u>	<u>                    </u>
	<u>578,546</u>	<u>645,377</u>

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

	No.	No.
Office staff and management	30	36
	<u>                    </u>	<u>                    </u>

**5. DIRECTORS' REMUNERATION**

	2006 £	2005 £
Emoluments	67,496	61,379
	<u>                    </u>	<u>                    </u>
Pension contributions to money purchase pension schemes	5,495	5,304
	<u>                    </u>	<u>                    </u>

During the year retirement benefit payments of £5,495 were made for the Board of Directors (2005 - £5,304) in respect of money purchase pension schemes.

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**WELSH FARM SUPPLIERS LIMITED**

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

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**6. INTEREST PAYABLE**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
On bank loans and overdrafts	<b>1,072</b>	<b>2,017</b>
On finance leases and hire purchase contracts	<b>753</b>	<b>1,169</b>
	<b>1,825</b>	<b>3,186</b>

**7. EXCEPTIONAL ITEMS**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Restructure costs	<b>-</b>	<b>133,000</b>

**8. TAXATION**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profits for the year	<b>5,550</b>	<b>11,272</b>
Adjustments in respect of prior periods	<b>(1,445)</b>	<b>(1,150)</b>
<b>Total current tax</b>	<b>4,105</b>	<b>10,122</b>
<b>Deferred tax</b> (see note 18)		
Origination and reversal of timing differences	<b>2,719</b>	<b>(1,795)</b>
<b>Tax on profit on ordinary activities</b>	<b>6,824</b>	<b>8,327</b>

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**WELSH FARM SUPPLIERS LIMITED**

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

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**8. TAXATION (continued)**

**Factors affecting tax charge for the year**

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

	<b>2006</b>	2005
	£	£
Profit on ordinary activities before tax	<b>84,273</b>	37,548
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2005 - 19%)	<b>16,012</b>	7,134
<b>Effects of:</b>		
Expenses not deductible for tax purposes	-	742
Capital allowances for year in excess of depreciation	<b>(2,629)</b>	-
Profits on sales to members not taxed	<b>(7,833)</b>	(7,524)
Rollover relief on profit on disposal of fixed assets	-	10,920
Adjustments to tax charge in respect of prior periods	<b>(1,445)</b>	(1,150)
<b>Current tax charge for the year</b> (see note above)	<b>4,105</b>	10,122

**Factors that may affect future tax charges**

There were no factors that may affect future tax charges.

**9. INTANGIBLE FIXED ASSETS**

	<b>Goodwill</b>
<b>Group</b>	£
<b>Cost</b>	
At 1 January 2006 and 31 December 2006	<b>82,500</b>
<b>Amortisation</b>	
At 1 January 2006 and 31 December 2006	<b>82,500</b>
<b>Net book value</b>	
At 31 December 2006	-
At 31 December 2005	-

**WELSH FARM SUPPLIERS LIMITED**

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

**10. TANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Land and buildings £</b>	<b>Plant and machinery £</b>	<b>Motor vehicles £</b>	<b>Furniture, fittings and equipment £</b>	<b>Total £</b>
<b>Cost or valuation</b>					
At 1 January 2006	110,000	135,889	71,314	82,867	400,070
Additions	-	43,770	26,431	5,273	75,474
Disposals	-	(52,569)	(13,920)	(2,718)	(69,207)
At 31 December 2006	<u>110,000</u>	<u>127,090</u>	<u>83,825</u>	<u>85,422</u>	<u>406,337</u>
<b>Depreciation</b>					
At 1 January 2006	22,000	114,047	34,410	57,784	228,241
Charge for the year	2,750	17,954	12,771	9,041	42,516
On disposals	-	(49,819)	(10,730)	(2,718)	(63,267)
At 31 December 2006	<u>24,750</u>	<u>82,182</u>	<u>36,451</u>	<u>64,107</u>	<u>207,490</u>
<b>Net book value</b>					
At 31 December 2006	<u>85,250</u>	<u>44,908</u>	<u>47,374</u>	<u>21,315</u>	<u>198,847</u>
At 31 December 2005	<u>88,000</u>	<u>21,842</u>	<u>36,904</u>	<u>25,083</u>	<u>171,829</u>

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

<b>Group</b>	<b>2006 £</b>	<b>2005 £</b>
Plant and machinery	-	6,166

**WELSH FARM SUPPLIERS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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<b>Society</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 2006	110,000	56,014	9,836	175,850
Additions	-	17,898	-	17,898
Disposals	-	(13,920)	(2,718)	(16,638)
At 31 December 2006	<u>110,000</u>	<u>59,992</u>	<u>7,118</u>	<u>177,110</u>
<b>Depreciation</b>				
At 1 January 2006	22,000	19,110	4,352	45,462
Charge for the year	2,750	10,638	1,371	14,759
On disposals	-	(10,730)	(2,718)	(13,448)
At 31 December 2006	<u>24,750</u>	<u>19,018</u>	<u>3,005</u>	<u>46,773</u>
<b>Net book value</b>				
At 31 December 2006	<u>85,250</u>	<u>40,974</u>	<u>4,113</u>	<u>130,337</u>
At 31 December 2005	<u>88,000</u>	<u>36,904</u>	<u>5,484</u>	<u>130,388</u>

**11. FIXED ASSET INVESTMENTS**

<b>Group</b>	<b>Listed invest- ments £</b>	<b>Unlisted invest- ments £</b>	<b>Total £</b>
<b>Cost or valuation</b>			
At 1 January 2006	-	6,775	6,775
Additions	1,250	-	1,250
At 31 December 2006	<u>1,250</u>	<u>6,775</u>	<u>8,025</u>

**Listed investments**

The market value of the listed investments at 31 December 2006 was £1,250 (2005 - £NIL).

**WELSH FARM SUPPLIERS LIMITED**

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

**11. FIXED ASSET INVESTMENTS (continued)**

<b>Company</b>	<b>Unlisted invest-ments £</b>
<b>Cost or valuation</b>	
At 1 January 2006 and 31 December 2006	<b>6,775</b>

Details of the principal subsidiaries can be found under note number 15.

**12. STOCKS**

	<b>Group</b>		<b>Company</b>	
	2006 £	2005 £	2006 £	2005 £
Finished goods and goods for resale	<b>556,366</b>	607,247	-	-

**13. DEBTORS**

	<b>Group</b>		<b>Company</b>	
	2006 £	2005 £	2006 £	2005 £
<b>Due within one year</b>				
Trade debtors	<b>575,455</b>	2,669,184	<b>40,042</b>	2,317,066
Amounts owed by group undertakings	-	-	<b>518,002</b>	507,924
Other debtors	<b>23,282</b>	91,531	<b>21,517</b>	91,530
Prepayments and accrued income	<b>10,838</b>	8,486	<b>10,838</b>	8,486
Deferred tax asset (see note 18)	<b>636</b>	3,355	-	-
	<b>610,211</b>	2,772,556	<b>590,399</b>	2,925,006

**WELSH FARM SUPPLIERS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**14. CURRENT ASSET INVESTMENTS**

	<u>Group</u>		<u>Company</u>	
	2006 £	2005 £	2006 £	2005 £
Investment in subsidiary undertakings	-	-	<b>200,000</b>	200,000
	<b>-</b>	<b>-</b>	<b>200,000</b>	200,000

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.

**15. PRINCIPAL SUBSIDIARIES**

Company name	Country	Percentage Shareholding	Description
Border Distribution 2000 Limited	United Kingdom	100	Trading
Border Distribution Limited	United Kingdom	100	Dormant

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

	<u>Group</u>		<u>Company</u>	
	2006 £	2005 £	2006 £	2005 £
Net obligations under finance leases and hire purchase contracts	<b>2,750</b>	7,944	-	-
Trade creditors	<b>388,421</b>	3,628,214	<b>18,822</b>	3,350,020
Corporation tax	<b>5,550</b>	11,272	<b>1,350</b>	937
Social security and other taxes	<b>45,908</b>	51,735	<b>5,009</b>	17,640
Other creditors	<b>9,570</b>	-	-	-
Accruals and deferred income	<b>99,087</b>	86,629	<b>92,456</b>	82,023
	<b>551,286</b>	3,785,794	<b>117,637</b>	3,450,620

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

	<u>Group</u>		<u>Company</u>	
	2006 £	2005 £	2006 £	2005 £
Net obligations under finance leases and hire purchase contracts	-	2,750	-	-

**WELSH FARM SUPPLIERS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**17. CREDITORS:  
Amounts falling due after more than one year (continued)**

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

	<b>Group</b>		<b>Company</b>	
	<b>2006</b> £	<b>2005</b> £	<b>2006</b> £	<b>2005</b> £
Between one and five years	-	2,750	-	-

**18. DEFERRED TAXATION**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b> £	<b>2005</b> £	<b>2006</b> £	<b>2005</b> £
At 1 January 2006	3,355	1,560	-	-
(Charge for)/released during the year	(2,719)	1,795	-	-
Other movement	-	-	-	-
At 31 December 2006	<b>636</b>	<b>3,355</b>	-	-

The deferred taxation balance is made up as follows:

	<b>2006</b> £	<b>2005</b> £	<b>2006</b> £	<b>2005</b> £
Accelerated capital allowances	<b>636</b>	(3,355)	-	-

**19. PROVISIONS**

<b>Group</b>	<b>Restructure costs</b>
At 1 January 2006	<b>120,000</b>
Amounts utilised	<b>(120,000)</b>
At 31 December 2006	-

**Provisions**

At 31/12/05, the company had committed to a group restructuring programme. This provision was made for costs that were committed to by that date.

**WELSH FARM SUPPLIERS LIMITED**

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

	<b>Restructure costs</b>
<b>Company</b>	
At 1 January 2006	120,000
Amounts utilised	(120,000)
	<hr/>
At 31 December 2006	-
	<hr/> <hr/>

**Restructure costs**

At 31/12/05, the company had committed to a group restructuring programme. This provision was made for costs that were committed to by that date.

**20. SHARE CAPITAL**

	<b>2006</b> £	<i>2005</i> £
<b>Authorised, allotted, called up and fully paid</b>		
360,600 Ordinary shares of £1 each	360,600	360,600
	<hr/> <hr/>	<hr/> <hr/>

**21. RESERVES**

	<b>Other reserves</b> £	<b>Profit and loss account</b> £
<b>Group</b>		
At 1 January 2006	30,000	545,768
Profit retained for the year		77,449
Dividends: Equity capital		(29,501)
	<hr/>	<hr/>
At 31 December 2006	30,000	593,716
	<hr/> <hr/>	<hr/> <hr/>
<b>Society</b>		<b>Profit and loss account</b> £
At 1 January 2006		487,587
Profit retained for the year		44,059
Dividends: Equity capital		(29,501)
		<hr/>
At 31 December 2006		502,145
		<hr/> <hr/>

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WELSH FARM SUPPLIERS LIMITED

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

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22. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2006	2005
	£	£
<b>Group</b>		
Opening shareholders' funds	936,368	1,049,920
Profit for the year	77,449	29,221
Dividends (Note 23)	(29,501)	(110,112)
Shares movement in the year	-	(32,661)
	<hr/>	<hr/>
Closing shareholders' funds	<u>984,316</u>	<u>936,368</u>
	2006	2005
	£	£
<b>Society</b>		
Opening shareholders' funds	848,187	943,393
Profit for the year	44,059	47,567
Dividends (Note 23)	(29,501)	(110,112)
Shares movement in the year	-	(32,661)
	<hr/>	<hr/>
Closing shareholders' funds	<u>862,745</u>	<u>848,187</u>

23. DIVIDENDS

	2006	2005
	£	£
Dividends paid on equity capital	<u>29,501</u>	<u>110,112</u>

**WELSH FARM SUPPLIERS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**24. NET CASH FLOW FROM OPERATING ACTIVITIES**

	2006 £	2005 £
Operating profit	80,000	164,241
Exceptional items	-	(133,000)
Amortisation of intangible fixed assets	-	45,000
Depreciation of tangible fixed assets	42,516	48,026
Profit on disposal of tangible fixed assets	(7,828)	(4,137)
Decrease/(increase) in stocks	50,881	(55,671)
Decrease in debtors	2,149,629	696,986
Decrease in creditors	(3,223,595)	(1,296,607)
Increase in amounts owed to group undertakings	10,000	-
(Decrease)/increase in provisions	(120,000)	120,000
	<u>                    </u>	<u>                    </u>
<b>Net cash outflow from operations</b>	<b><u><u>(1,018,397)</u></u></b>	<b><u><u>(415,162)</u></u></b>

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

	2006 £	2005 £
<b>Returns on investments and servicing of finance</b>		
Interest received	6,098	9,490
Interest paid	(1,072)	(11,852)
Hire purchase interest	(753)	(1,169)
	<u>                    </u>	<u>                    </u>
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>	<b><u><u>4,273</u></u></b>	<b><u><u>(3,531)</u></u></b>
	2006 £	2005 £
<b>Capital expenditure and financial investment</b>		
Purchase of intangible fixed assets	-	(35,589)
Sale of intangible fixed assets	-	8,500
Purchase of tangible fixed assets	(75,474)	-
Sale of tangible fixed assets	13,768	-
Purchase of listed investments	(1,250)	-
	<u>                    </u>	<u>                    </u>
<b>Net cash outflow from capital expenditure</b>	<b><u><u>(62,956)</u></u></b>	<b><u><u>(27,089)</u></u></b>

**WELSH FARM SUPPLIERS LIMITED**

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

**25. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)**

	2006 £	2005 £
<b>Financing</b>		
Issue of ordinary shares	-	7,339
Purchase of ordinary shares	-	(40,000)
Repayment of loans	-	(7,308)
Repayment of finance leases	(7,944)	-
	(7,944)	-
<b>Net cash outflow from financing</b>	(7,944)	(39,969)

**26. ANALYSIS OF CHANGES IN NET DEBT**

	1 January 2006 £	Cash flow £	Other non-cash changes £	31 December 2006 £
Cash at bank and in hand:	1,286,505	(1,124,352)	-	162,153
<b>Debt:</b>				
Finance leases	(10,694)	7,944	-	(2,750)
	(10,694)	7,944	-	(2,750)
<b>Net funds</b>	1,275,811	(1,116,408)	-	159,403

**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 £12,343 (2005: £14,855). Contributions totalling £nil (2005: £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 The Welsh Farm Suppliers Stakeholder Scheme which is 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 £1,968 (2005: £2,347). Contributions totalling £nil (2005: £nil) were payable to the fund at the balance sheet date.

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WELSH FARM SUPPLIERS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
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28. OPERATING LEASE COMMITMENTS

At 31 December 2006 the Group had annual commitments under non-cancellable operating leases as follows:

Group	Land and buildings		2006 £	Other 2005 £
	2006 £	2005 £		
Expiry date: Between 2 and 5 years	<u>45,000</u>	<u>43,500</u>	<u>2,185</u>	<u>2,185</u>