

# A.H. Worth & Co. Limited

## FINANCIAL STATEMENTS

for the year ended

31 May 2004

Company Registration No. 451065



# A.H. Worth & Co. Limited

## INDEX TO ANNUAL REPORT AND FINANCIAL STATEMENTS

31 May 2004

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# A.H. Worth & Co. Limited

## DIRECTORS AND OFFICERS

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### DIRECTORS

A. J. L. Worth Chairman

W.B. Carter

M.J. O'Driscoll

D.R. Worth

S.T. Worth

### SECRETARY

C.W. Rimmer

### REGISTERED OFFICE

Manor Farm  
Holbeach Hum  
Holbeach  
Lincs  
PE12 8LR

### AUDITORS

Baker Tilly  
Welland House  
High Street  
Spalding  
Lincs  
PE11 1UB

# A.H. Worth & Co. Limited

## DIRECTORS' REPORT

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The directors present their report and the consolidated financial statements of A H Worth & Co Limited for the year ended 31 May 2004.

### PRINCIPAL ACTIVITIES

The group's principal activities consist of a parent company engaged in farming activities and a wholly owned subsidiary engaged in the procurement, packing, marketing and distribution of potatoes.

### REVIEW OF THE BUSINESS

The financial year ending May 31 was highly disappointing for the group as a whole.

A severe harvest drought significantly affected the potato crop, which is the driver for the group. The farms experienced poor quality with a larger than normal proportion of the crop unable to reach retail standards. This was reflected in QV's committed local supply base at a time when commercial success had increased market share across the business. The resulting requirement to source material outside the normal supply base significantly increased raw material cost at a time when the sector had overall cost price pressure arising from poor quality and a European drought. Losses were therefore sustained in both the retail and processing businesses. Despite this QV was able to honour all retail and processing commitments, sustaining high levels of customer service and underlining its long term commitment to customers.

QV's volumes and market shares have been retained in the current trading period which has seen a return to consistent, cash driven trading profitability enhanced by investment and overhead reduction and other cost efficiencies. The growth of farmed acreage is bringing down unit costs, a basic requirement given the advent of the Single Farm Payment with a lower overall contribution than has been the case in the past. This process will continue in order to provide the stability needed in the future.

The year also saw the peak of the long term investment programme with plant commissioning and building investment completed to schedule together with investment in higher output machinery on the farms, enhancing operational efficiency and reductions in costs in the current trading period.

### RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 6.

The directors have not recommended a dividend (2003 £47,266).

### FIXED ASSETS

Changes in fixed assets are shown in notes 8 and 9 to the accounts.

### DISABLED PERSONS

The company will employ disabled persons when they appear to be suitable for a particular vacancy and every effort is made to ensure that they are given full and fair consideration when such vacancies arise. There is a training scheme in operation so that employees who have been injured or disabled in the course of their employment can, where possible, continue in employment with the company. During the year the company introduced a progressive system for career development and progression which is available to all employees.

### EMPLOYEE INVOLVEMENT

The company encourages the involvement of its employees in its management through regular meetings of the site consultative teams which have responsibility for the dissemination of information of particular concern to employees and for receiving their views on important matters of policy. The company also holds a series of formal briefings on company performance including half yearly company reviews to which all employees are invited.

### OFFICERS' INSURANCE

The company has purchased and maintains insurance to cover its officers against liabilities in relation to their duties to the group.

# A.H. Worth & Co. Limited

## DIRECTORS' REPORT

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### CHARITABLE DONATIONS

The group paid £11,630 charitable donations during the year including £7,960 game conservation, £2,000 to Lincoln Cathedral and Diocese and £1,217 MacMillan Cancer Relief.

### DIRECTORS

The following directors have held office since 31 May 2003:

A.J.L. Worth  
D.R. Worth  
S.T. Worth  
W.B. Carter  
M J O'Driscoll

In accordance with the articles of association S.T. Worth and W.B. Carter retire by rotation and being eligible, offer themselves for re-election.

### DIRECTORS' INTEREST IN SHARES AND DEBENTURES

The following directors have held office since 31 May 2003:-

	31 May 2004		31 May 2003	
	Ordinary shares		Ordinary shares	
	'A'	'B'	'A'	'B'
A.J.L. Worth	5,000	1,699	5,000	1,699
D. R. Worth	313	3,688	313	3,688
S.T. Worth	313	3,688	313	3,688
W.B. Carter	-	-	-	-
M.J. O'Driscoll	-	-	-	-
Interest as Trustee :-				
A.J.L. Worth	2,500	19,987	2,500	19,987

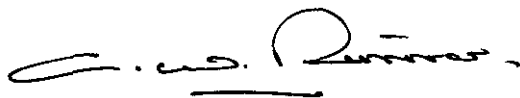
None of the director's have an interest in the issued "C" shares of the company.

No director has been granted or exercised any right to subscribe for shares in the company.

### AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the board



Secretary

19 November 2004

# A.H. Worth & Co. Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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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 and loss of the company for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgement and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. 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 to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
A. H. WORTH & CO. LIMITED

We have audited the financial statements on pages 6 to 24

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 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 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 THE DIRECTOR AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

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

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. 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 OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 May 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly  
Registered Auditor  
Chartered Accountants  
Welland House  
High Street  
Spalding  
Lincs  
PE11 1UB

19 November 2004

**A.H. Worth & Co. Limited**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
For the year ended 31 May 2004

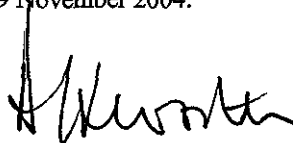
	<i>Notes</i>	2004 £	2003 £
TURNOVER	1	46,044,784	36,229,729
Cost of sales		<u>(37,481,210)</u>	<u>(25,229,199)</u>
Gross profit		8,563,574	11,000,530
Net operating expenses			
- Distribution costs		(2,597,492)	(2,132,504)
- Administration expenses		(4,638,985)	(4,752,218)
- Other operating charges		(5,180,090)	(5,056,864)
- Other operating income		<u>758,689</u>	<u>1,049,372</u>
OPERATING (LOSS)/PROFIT		(3,094,304)	108,316
Share of operating profit in associate		415,350	474,750
(Loss)/Profit on sale of assets		(112,362)	-
Amortisation of profit on sale to associate		31,115	31,115
Investment income	2	11,810	29,283
Interest payable	3	<u>(444,785)</u>	<u>(340,123)</u>
GROUP (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(3,193,176)	303,341
Taxation	6	<u>( 167,387)</u>	<u>(113,912)</u>
GROUP (LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(3,360,563)	189,429
Dividends	7	-	<u>(47,266)</u>
GROUP RETAINED (LOSS)/PROFIT FOR THE YEAR	17	<u>(3,360,563)</u>	<u>142,163</u>
		2004 £	2003 £
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES			
(Loss)/profit for the financial year		<u>(3,360,563)</u>	<u>142,163</u>
Total recognised (losses)/gains relating to the year		(3,360,563)	142,163
Prior year adjustment		-	<u>81,716</u>
Total (losses)/gains recognised since last annual report		<u>(3,360,563)</u>	<u>223,879</u>
All activities are continuing during the above financial periods.			



**A.H. Worth & Co. Limited**  
**CONSOLIDATED BALANCE SHEET**  
For the year ended 31 May 2004

	<i>Notes</i>	Group 2004 £	Group 2003 £
<b>FIXED ASSETS</b>			
Tangible assets	8	14,516,117	13,724,178
Investments	9	<u>441,728</u>	<u>339,371</u>
		<u>14,957,845</u>	<u>14,063,549</u>
<b>CURRENT ASSETS</b>			
Investments	10	76,000	76,000
Stocks	11	1,705,608	1,766,902
Debtors	12	4,233,265	3,891,747
Cash at bank and in hand		<u>11,836</u>	<u>11,029</u>
		6,026,709	5,745,678
<b>CREDITORS</b>			
Amounts falling due within one year	13	<u>(12,571,269)</u>	<u>(7,862,023)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(6,544,560)</u>	<u>(2,116,345)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		8,413,285	11,947,204
<b>CREDITORS</b>			
Amounts falling due after more than one year	14	<u>(4,088,638)</u>	<u>(4,261,994)</u>
		<u>4,324,647</u>	<u>7,685,210</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	67,748	67,748
Capital redemption reserve	16	22,492	22,492
Revaluation reserve	16	2,936,983	2,936,983
Profit and loss account	17	<u>1,297,424</u>	<u>4,657,987</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>4,324,647</u>	<u>7,685,210</u>

Approved by the board on 19 November 2004.

  
Chairman

**A.H. Worth & Co. Limited**  
**COMPANY BALANCE SHEET**  
For the year ended 31 May 2004

	<i>Notes</i>	2004 £	2003 £
<b>FIXED ASSETS</b>			
Tangible assets	8	4,328,050	4,231,161
Investments	9	<u>2,828,710</u>	<u>2,910,873</u>
		<u>7,156,760</u>	<u>7,142,034</u>
<b>CURRENT ASSETS</b>			
Stocks	11	848,140	847,918
Debtors	12	706,103	556,038
Cash at bank and in hand		<u>4,897</u>	<u>4,897</u>
		1,559,140	1,408,853
<b>CREDITORS</b>			
Amounts falling due within one year	13	<u>(1,367,049)</u>	<u>(1,400,546)</u>
<b>NET CURRENT ASSETS</b>		<u>192,091</u>	<u>8,307</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		7,348,851	7,150,341
<b>CREDITORS</b>			
Amounts falling due after more than one year	14	<u>( 556,394)</u>	<u>( 644,911)</u>
		<u>6,792,457</u>	<u>6,505,430</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	67,748	67,748
Capital redemption reserve	16	22,492	22,492
Revaluation reserve	16	2,936,983	2,936,983
Profit and loss account	17	<u>3,765,234</u>	<u>3,478,207</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>6,792,457</u>	<u>6,505,430</u>

Approved by the board on 19 November 2004.

  
Chairman

**A.H. Worth & Co. Limited**  
**CONSOLIDATED CASH FLOW STATEMENT**  
For the year ended 31 May 2004

	<i>Notes</i>	2004 £	2003 £
Cash (outflow)/inflow from operating activities	19a	(318,898)	1,901,955
Dividends received from associate		134,100	450,000
Returns on investments and servicing of finance	19b	(432,975)	(317,140)
Taxation		56,025	(8,652)
Capital expenditure and financial investment	19b	<u>(642,363)</u>	<u>(2,276,809)</u>
		(1,204,111)	(250,646)
Equity dividends paid		<u>(47,266)</u>	<u>(47,266)</u>
<b>CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING</b>		(1,251,377)	(297,912)
Management of liquid resources	19b	-	(38,000)
Financing	19b	(1,450,440)	(318,317)
<b>DECREASE IN CASH IN THE PERIOD</b>		<u>(2,701,817)</u>	<u>(654,229)</u>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>			
Decrease in cash in the period		(2,701,817)	(654,229)
Change in net debt resulting from cash flows		1,450,440	318,326
New hire purchase		(1,561,450)	(177,324)
<b>MOVEMENT IN NET DEBT IN THE PERIOD</b>		(2,812,827)	(513,227)
<b>NET DEBT AT 1.6.03</b>		(6,434,829)	(5,921,602)
<b>NET DEBT AT 31.5.04</b>		<u>(9,247,656)</u>	<u>(6,434,829)</u>

# A.H. Worth & Co. Limited

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention modified to include the revaluation of freehold properties. Profits or losses arising on the disposal of items stated at valuation are determined by reference to the difference between the valuation and sales proceeds. No separate profit and loss account is presented for the company as provided by Section 230 of the Companies Act 1985.

### BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of A H Worth & Co Limited, its wholly owned trading subsidiary QV Foods Limited and its dormant subsidiary QV Limited. Intra-group profits are eliminated on consolidation. All financial statements are made up to 31 May 2004.

The accounts of the two dormant subsidiary companies A H Worth (Farms) and A H Worth (Fleet) for the year ended 31 May 2004 have not been consolidated with those of the parent company, on the grounds that their inclusion is not material to the group and would be misleading.

### ASSOCIATED UNDERTAKINGS

The group's associated undertakings are all undertakings in which the group has a participating interest of not less than 20% in voting capital and over which it exerts significant influence. The group's share of profits less losses is included in the group profit and loss account. The group's share of net assets is included in the group balance sheet within investments. The group's share of profits arising on trading between the group and associated undertakings has been eliminated.

### TANGIBLE FIXED ASSETS

Depreciation is provided on all tangible fixed assets other than freehold land at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life as follows:

Freehold buildings	3, 5, 10, 20, 25 and 40 years
Plant and machinery	3, 5, 8 and 10 years
Motor vehicles	5 years
Farm improvements, drainage etc.	10 years

### GOVERNMENT GRANTS

Government Grants on capital expenditure are credited to a deferral account and are released to reserves over the expected useful life of the relevant asset by equal annual instalments. Grants of a revenue nature are credited to income in the period to which they relate.

### GOODWILL

Purchased goodwill, including goodwill relating to the acquisition of subsidiary undertakings is set off directly against reserves.

# A.H. Worth & Co. Limited

## ACCOUNTING POLICIES

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### STOCKS AND WORK IN PROGRESS

Stocks are valued at the lower of cost and net realisable value, with the exception of potato stocks owned by A H Worth & Co Limited. Cost is computed on a first in first out basis. The cost of work in progress and finished goods includes all production overheads and depreciation, and the attributable proportion of indirect overheads based on the normal level of activity. Net realisable value is based on estimated selling price less the estimated cost of disposal.

The potato stock of A H Worth & Co Limited has been valued in accordance with BEN 19 at 75% of its market value at the year end.

### DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

### LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

### RETIREMENT BENEFITS

The company operates a defined contribution scheme. The amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods and services provided to customers.

### EMPLOYEE BENEFIT TRUST

Assets held in the employee benefit trust are recognised as assets of the group until they vest unconditionally in identified beneficiaries.

**A.H. Worth & Co. Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 May 2004

1      **TURNOVER**

	2004	2003
	£	£

The groups turnover of was derived from its principle activities as follows:

Farming activities	3,674,091	2,561,100
Procurement, packing, marketing and distribution of potatoes	<u>42,370,693</u>	<u>33,668,629</u>
	<u>46,044,784</u>	<u>36,229,729</u>

All of the group's turnover is attributable to the UK.

	2004	2003
	£	£

2      **INVESTMENT INCOME**

Fixed asset investment income	8,692	17,224
Other interest receivable (group)	<u>3,118</u>	<u>12,059</u>
	<u>11,810</u>	<u>29,283</u>

3      **INTEREST PAYABLE**

Bank loans and overdrafts	330,898	264,392
Finance leases and hire purchase contracts	<u>113,887</u>	<u>75,731</u>
	<u>444,785</u>	<u>340,123</u>

4      **(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting)

Depreciation and amounts written off tangible fixed assets:

Charge for the year:		
owned assets	1,047,118	1,188,774
assets held under finance leases and hire purchase contracts	334,558	313,242
Loss/(Profit) on disposals	112,363	(95,548)
Operating lease rentals:		
Plant and machinery	143,920	16,297
Leasing charges	144,747	152,974
Auditors' remuneration		
audit	20,750	21,000
non audit services	5,678	15,860
Grant amortisation	(64,574)	(79,445)

The total amount charged against profits in respect of finance leases and hire purchase contracts is

	<u>448,445</u>	<u>508,183</u>
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(of which part is shown as depreciation and the balance is shown as interest payable in note 3)

**A.H. Worth & Co. Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 May 2004

	2004 No.	2003 No.
5 EMPLOYEES		
The average monthly number of persons (including directors) employed by the group during the year was:		
Administration	67	69
Production and sales staff	<u>238</u>	<u>265</u>
	<u>305</u>	<u>334</u>
	2004 £	2003 £
Staff costs for the above persons:		
Wages and salaries	5,903,897	6,264,701
Social security costs	582,312	568,211
Other pension costs	<u>199,184</u>	<u>310,684</u>
	<u>6,685,393</u>	<u>7,143,596</u>
 DIRECTORS' REMUNERATION		
Parent company directors		
Emoluments:		
As directors	302,971	445,224
As non-executive directors	<u>25,740</u>	<u>19,930</u>
	<u>328,711</u>	<u>465,154</u>
Emoluments excluding pension scheme contributions		
Highest paid director	<u>124,290</u>	<u>122,083</u>
	2004 No.	2003 No.
The number of directors to whom relevant benefits are accruing under:		
Defined contribution scheme was:	1	2
Group personal pension plan was:	1	1

**A.H. Worth & Co. Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 May 2004**

	2004	2003
	£	£
<b>6 TAXATION</b>		
Corporation tax (credit) on (loss)/profit on ordinary activities at 30 % (2003 30%)	(925)	(45,568)
Over provision in prior year	40,467	-
Associated undertaking	<u>127,845</u>	<u>159,480</u>
	<u>167,387</u>	<u>113,912</u>
 Factors affecting tax charge for year		
(Loss)/profit on ordinary activities multiplied by standard rate of 30% (2003 30%)	(957,953)	94,844
Unutilised trading losses	1,084,873	24,208
Group undertaking taxation	-	(10,905)
Associated undertaking taxation	-	5,765
Adjustment to tax charge in respect of previous periods	<u>40,467</u>	<u>-</u>
	<u>167,387</u>	<u>113,912</u>
 <b>7 DIVIDENDS</b>		
Ordinary dividend proposed		
- 'A' ordinary shares of £1 each	-	7,000
- 'B' ordinary shares of £1 each	<u>-</u>	<u>40,266</u>
	<u>-</u>	<u>47,266</u>



**A.H. Worth & Co. Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 May 2004

8 TANGIBLE FIXED ASSETS

Group	Freehold land £	Freehold buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation					
31 May 2003	3,298,402	10,158,154	9,664,191	104,989	23,225,736
Additions	13,292	125,239	2,184,780	5,750	2,329,061
Disposals	-	(18,373)	(1,011,092)	-	(1,029,465)
31 May 2004	<u>3,311,694</u>	<u>10,265,020</u>	<u>10,837,879</u>	<u>110,739</u>	<u>24,525,332</u>
Depreciation					
31 May 2003	-	3,635,617	5,789,644	76,297	9,501,558
Charge for year	-	434,143	932,572	14,961	1,381,676
Disposals	-	(18,373)	(855,646)	-	(874,019)
31 May 2004	-	<u>4,051,387</u>	<u>5,866,570</u>	<u>91,258</u>	<u>10,009,215</u>
Net book amount					
31 May 2004	<u>3,311,694</u>	<u>6,213,633</u>	<u>4,971,309</u>	<u>19,481</u>	<u>14,516,117</u>
31 May 2003	<u>3,298,402</u>	<u>6,522,537</u>	<u>3,874,547</u>	<u>28,692</u>	<u>13,724,178</u>

The net book amount of fixed assets includes £2,643,129 (2003 £1,492,770) in respect of assets held under finance lease and hire purchase contracts.

**A.H. Worth & Co. Limited**  
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8 TANGIBLE FIXED ASSETS (continued)

	Freehold land £	Freehold buildings £	Plant and machinery £	Motor vehicles £	Total £
<b>Company</b>					
Cost or valuation					
31 May 2003	3,298,402	717,908	2,053,319	27,789	6,097,418
Additions	13,292	34,711	266,154	5,750	319,907
Disposals	—	—	(37,882)	—	(37,882)
31 May 2004	<u>3,311,694</u>	<u>752,619</u>	<u>2,281,591</u>	<u>33,539</u>	<u>6,379,443</u>
Depreciation					
31 May 2003	-	332,300	1,512,233	21,724	1,866,257
Charge for year	-	25,260	182,226	3,424	210,910
Disposals	—	—	(25,774)	—	(25,774)
31 May 2004	—	<u>357,560</u>	<u>1,668,685</u>	<u>25,148</u>	<u>2,051,393</u>
Net book amount					
31 May 2004	<u>3,311,694</u>	<u>395,059</u>	<u>612,906</u>	<u>8,391</u>	<u>4,328,050</u>
31 May 2003	<u>3,298,402</u>	<u>385,608</u>	<u>541,086</u>	<u>6,065</u>	<u>4,231,161</u>

The net book amount of fixed assets includes £341,260 (2003 £214,153) in respect of assets held under finance leases and hire purchase contracts.

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Freehold land at valuation				
Revaluation by the board of directors in November 1996 at open market value with vacant possession	<u>3,087,158</u>	<u>3,087,158</u>	<u>3,087,158</u>	<u>3,087,158</u>
Historical cost information				
Historical cost of revalued land	150,175	150,175	150,175	150,175
Depreciation based on historical cost	—	—	—	—
Net historical cost	<u>150,175</u>	<u>150,175</u>	<u>150,175</u>	<u>150,175</u>

The transitional provisions of FRS15 are being followed and freehold land is included in the balance sheet at brought forward valuation which is not being updated.

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	2004 £	2003 £
9		
<b>FIXED ASSET INVESTMENTS</b>		
Group		
Shares at basis of valuation		
31 May 2003	211,055	439,770
Share of profit after tax	287,505	321,570
Dividend received	(134,100)	(581,400)
Amortisation of unrealised profit on sale of assets to associated undertaking	<u>31,115</u>	<u>31,115</u>
31 May 2004	<u>395,575</u>	<u>211,055</u>
Shares in dormant undertakings		
Directors valuation of these companies	256,702	256,702
Less: Indebtedness to subsidiary companies	<u>(256,543)</u>	<u>(256,543)</u>
31 May 2003 and 31 May 2004	<u>159</u>	<u>159</u>
Other investments and loans		
31 May 2003 and 31 May 2004	<u>45,994</u>	<u>128,157</u>
<b>Total Investments</b>	<u>441,728</u>	<u>339,371</u>

Company	Shares in subsidiary undertakings £	Other investments and loans £	Total £
Cost or valuation			
31 May 2003	2,827,723	83,150	2,910,873
Disposals	<u>-</u>	<u>(82,163)</u>	<u>(82,163)</u>
31 May 2004	<u>2,827,723</u>	<u>987</u>	<u>2,828,710</u>

The parent company holds more than 20% of the equity share capital of the following:

	Country of incorporation and operation	Class of share	Proportion held	Nature of business
QV Foods Limited	England	Ordinary	100%	Potato Prepacking
A H Worth (Fleet)	England	Ordinary	100%	Dormant
A H Worth (Farms)	England	Ordinary	100%	Dormant

A H Worth (Fleet) and A H Worth (Farms) have not been included within the consolidated accounts as they are both dormant and not material to the group.

QV Foods Limited owns 100% of the 'B' Ordinary shares of Geest QV Limited, a company incorporated in England. The company holds no 'A' ordinary shares. Geest QV Limited is engaged in potato trading and prepares accounts to 31 December each year. The group accounts incorporate Geest QV Limited transactions and balances to 31 May 2004 as an associated undertaking based on statutory accounts to 31 December 2003 and management accounts for the period to 31 May 2004. QV Foods Limited's 45% share of Geest QV Limited 31 May 2004 balances are as follows:-

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9 **FIXED ASSET INVESTMENTS (continued)**

	£000
Turnover	8,912
Profit before tax	415
Taxation	128
Profit after tax	287
Fixed assets	713
Current assets	1,871
Liabilities due within one year	2,036
Net assets	548

The other associated undertaking Pseedco Limited, is a company incorporated in England engaged in the procurement and sale of seed potatoes. Q V Foods Limited owns 33% of the share capital. Due to the immateriality of the transactions to the group the equity accounting treatment has not been adopted for this investment. The aggregate capital and reserves at 30 June 2004 was £706,303. On 19 August 2004 Pseedco Limited agreed to purchase 45,000 shares (33% of issued share capital) from one of its shareholders for £160,000 the effect of which was that post the transaction Q V Foods Limited owns 50% of Pseedco Limited.

10 **CURRENT ASSET INVESTMENTS - GROUP**

The current asset investment is £76,000 (2003 £76,000) held by the Employee benefit trust in Sun Life Global Management Limited Funds. These assets are for the benefit of qualifying employees only.

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
11 <b>STOCKS</b>				
Stores	894,212	949,882	36,744	30,898
Produce and cultivations	<u>811,396</u>	<u>817,020</u>	<u>811,396</u>	<u>817,020</u>
	<u>1,705,608</u>	<u>1,766,902</u>	<u>848,140</u>	<u>847,918</u>

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
12 <b>DEBTORS</b>				
Due within one year:				
Trade debtors	2,418,793	2,017,882	34,805	15,675
Other debtors	1,314,016	1,055,202	410,407	245,016
Prepayments and accrued income	142,712	70,955	142,712	70,955
Corporation tax	80,000	95,568	-	-
Dividend receivable	-	-	-	210,000
Amounts owed by associated undertaking	277,744	652,140	-	-
Amounts owed by subsidiary undertakings	-	-	<u>118,179</u>	<u>14,392</u>
	<u>4,233,265</u>	<u>3,891,747</u>	<u>706,103</u>	<u>556,038</u>

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13		Group		Company	
		2004	2003	2004	2003
		£	£	£	£
	CREDITORS: Amounts falling due within one year				
	Bank overdraft	3,713,025	1,010,401	672,444	827,812
	Bank loans	1,110,714	1,110,714	200,000	200,000
	Trade creditors	3,953,920	2,693,634	294,355	205,171
	Amount owed to subsidiary undertakings	-	-	-	-
	Corporation tax	80,000	-	80,000	-
	Other taxation and social security	167,609	173,706	2,847	15,566
	Proposed dividends	-	47,266	-	47,266
	Other creditors	2,821,760	2,321,853	43,167	48,792
	Finance leases and hire purchase contracts	674,595	439,875	74,236	55,939
	Unamortised capital grants	<u>49,646</u>	<u>64,574</u>	<u>-</u>	<u>-</u>
		<u>12,571,269</u>	<u>7,862,023</u>	<u>1,367,049</u>	<u>1,400,546</u>

14		Group		Company	
		2004	2003	2004	2003
		£	£	£	£
	CREDITORS: Amounts falling due in more than one year				
	Bank loan	2,248,520	3,062,010	343,771	518,564
	Finance leases and hire purchase contracts	1,512,638	822,858	212,623	126,347
	Unamortised grants	<u>327,480</u>	<u>377,126</u>	<u>-</u>	<u>-</u>
		<u>4,088,638</u>	<u>4,261,994</u>	<u>556,394</u>	<u>644,911</u>

Amounts fall due on the bank loan as follows:

In one year or less	1,110,714	1,110,714	200,000	200,000
Between one and two years	1,110,714	1,110,714	200,000	200,000
Between two and five years	1,137,806	1,951,296	143,771	318,564
Over five years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3,359,234</u>	<u>4,172,724</u>	<u>543,771</u>	<u>718,564</u>

The National Westminster Bank Plc has a mortgage debenture including a specific equitable charge over properties owned by the company, together with a specific charge over debtors and a floating charge over all other assets. It also has a legal mortgage over land and buildings known as Manor Farm.

	Group	Group
	2004	2003
	£	£
Obligations under finance leases and hire purchase contracts are repayable (by monthly or annual) instalments as follows		
In one year or less	674,595	439,875
Between one and five years	<u>1,512,638</u>	<u>822,858</u>
	<u>2,187,233</u>	<u>1,262,733</u>

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		2004	2003
		£	£
15	<b>SHARE CAPITAL</b>		
	Authorised		
	10,000 'A' ordinary shares of £1 each	10,000	10,000
	90,000 'B' ordinary shares of £1 each	90,000	90,000
	90,000 'C' ordinary shares of 1p each	<u>900</u>	<u>900</u>
		<u>100,900</u>	<u>100,900</u>
	Allotted, called up and fully paid		
	10,000 'A' ordinary shares of £1 each	10,000	10,000
	57,523 'B' ordinary shares of £1 each	57,523	57,523
	22,492 'C' ordinary shares of 1p each	<u>225</u>	<u>225</u>
		<u>67,748</u>	<u>67,748</u>

**RIGHTS OF SHARES IN ISSUE**

The 'A' ordinary shares have 10 votes to 1 vote for 1 'B' ordinary share. They rank equally with 'B' ordinary shares for dividends.

The 'C' ordinary shares have no vote attached and are not entitled to dividends. However, in the event of a winding up of the company prior to 1st January 2006, they are entitled to a proportion of any surplus cash, thereafter par value only.

		2004	2003
		£	£
16	<b>RESERVES</b>		
	Capital redemption reserve		
	31 May 2003 and 31 May 2004	<u>22,492</u>	<u>22,492</u>
	Revaluation reserve		
	31 May 2003 and 31 May 2004	<u>2,936,983</u>	<u>2,936,983</u>

		Group	Company
		2004	2004
		£	£
17	<b>PROFIT AND LOSS ACCOUNT</b>		
	31 May 2003	4,657,987	3,478,207
	Retained (loss)/profit for the year	<u>(3,360,563)</u>	<u>287,027</u>
	31 May 2004	<u>1,297,424</u>	<u>3,765,234</u>

Within group reserves is £567,575 relating to goodwill written off to reserves on acquisition of subsidiary undertaking.

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	2004	Group 2003
	£	£
<b>18 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS</b>		
(Loss)/Profit for the financial year	(3,360,563)	189,429
Dividends	<u>-</u>	<u>(47,266)</u>
Net (sub-traction from)/addition to shareholders' funds	(3,360,563)	142,163
Opening shareholders funds	<u>7,685,210</u>	<u>7,543,047</u>
Closing shareholders' funds	<u>4,324,647</u>	<u>7,685,210</u>
<b>19 CASH FLOWS</b>		
<b>a Reconciliation of operating (loss)/profit to net cash inflow from operating activities</b>		
Operating (loss)/profit	(3,094,304)	108,316
Depreciation	1,381,676	1,502,016
Loss/(profit) on sale of tangible fixed assets	-	(95,548)
Amortisation of grants	(64,574)	(79,445)
Decrease in stocks	61,294	139,178
(Increase) in debtors	(357,086)	(608,189)
Increase in creditors	<u>1,754,096</u>	<u>935,627</u>
Net cash flows from operating activities	<u>(318,898)</u>	<u>1,901,955</u>
<b>b Analysis of cash flows for headings netted in the cash flows</b>		
<b>Returns on investments and servicing of finance</b>		
Dividends received	8,692	17,224
Interest received	3,118	5,759
Interest paid	(330,898)	(264,392)
Interest element of finance lease rental payments	<u>(113,887)</u>	<u>(75,731)</u>
Net cash outflow for returns on investment and servicing of finance	<u>(432,975)</u>	<u>(317,140)</u>

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19 CASH FLOWS (continued)

**Capital expenditure and financial investment**

Purchase of tangible fixed assets	(767,611)	(2,393,798)
Sale of tangible fixed assets	43,085	104,182
Sale of investments	<u>82,163</u>	<u>12,807</u>

**Net cash outflow for capital expenditure and financial investment** (642,363) (2,276,809)

**Management of liquid resources**

EBT investments - (38,000)

**Net cash outflow from management of liquid resources** - (38,000)

**Financing**

Bank loan received	-	1,000,000
Bank loan repayments	(813,490)	(861,467)
Hire purchase contracts	<u>(636,950)</u>	<u>(456,850)</u>

**Net cash outflow from financing** (1,450,440) (318,317)

c	Analysis of net debt	At 31 May 2003 £	Cash flows £	Other non cash changes £	At 31 May 2004 £
	Cash in hand and at bank	11,029	807	-	11,836
	Overdrafts	(1,010,401)	(2,702,624)	-	(3,713,025)
	Debt due within one year	(1,110,714)	-	-	(1,110,714)
	Debt due after one year	(3,062,010)	813,490	-	(2,248,520)
	Finance leases	<u>(1,262,733)</u>	<u>636,950</u>	<u>(1,561,450)</u>	<u>(2,187,233)</u>
	<b>Total</b>	<u>(6,434,829)</u>	<u>(1,251,377)</u>	<u>(1,561,450)</u>	<u>(9,247,656)</u>

d During the year the group entered into hire purchase arrangements in respect of assets with a total capital value at the inception of the arrangements of £1,561,450.

	2004 £	2003 £
20 CAPITAL COMMITMENTS		
Future capital commitments		
Authorised but contracts not placed	<u>71,000</u>	<u>1,728,000</u>



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21 PENSION COMMITMENTS

GROUP PERSONAL PENSION PLAN

The company operates a Small Self Administered Scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents the contributions paid by the group to the fund and amounted to £9,785 (2003 £120,179). Two directors qualified for benefits and contributions paid amounted to £9,107 (2003 £116,850).

With effect from 1 June 1998 the group introduced a grouped personal pension plan as the vehicle for delivering future service pension benefits. Although this is outside the occupational pension regime it is akin in terms of benefit delivery to a defined contribution scheme.

The pension cost charge represents the contributions made to the individual personal pension plans and amounts to £150,698 (2003 £190,505).

The highest paid director qualified for benefits, and contributions paid amounted to £41,972 (2003 £41,250).

22 RELATED PARTY TRANSACTIONS

PARENT COMPANY

The company is controlled by A J L Worth by virtue of his shareholding and trusteeships.

The company has taken advantage of the exemptions from disclosure given within Financial Reporting Standard No 8 of the transactions with its subsidiary undertaking QV Foods Limited for the year as these have been consolidated within these accounts.

During the year the company paid rent amounting to £29,253 (2003 £29,253) for the occupation of farmland in the ownership of a family settlement of which Messrs A J L Worth and P H Shepherd are trustees, rent amounting to £11,024 (2003 £11,024) to a discretionary settlement of which Mr A J L Worth is one of two trustees, rent amounting to £12,614 (2003 £12,614) to Mrs A J L Worth and rent amounting to £4,333 (2003 £4,333) to Mrs R E Gardiner.

SUBSIDIARY COMPANY – QV FOODS LIMITED

During the year the company purchased goods from Pseedco Limited amounting to £224,982 (2003 £617,039) and made sales to Pseedco Limited amounting to £Nil (2003 £Nil). The company owns 33% (2003 33%) of the share capital of Pseedco Limited. At the year end the company owed Pseedco Limited £35,947 (2003 £1,964). D R Worth is a director of Pseedco Limited. QV Foods Limited have provided a guarantee for a maximum of £40,000 to HSBC Bank plc to secure Pseedco Limited's liabilities to the bank.

During the year the company provided management services to Holbeach Marsh Co-operative Limited and received fees amounting to £60,685 (2003 £85,707) and purchased goods amounting to £371 (2003 £3,697).

All these transactions were on normal commercial terms. Messrs. D.J.T. Piccaver and A.J.L. Worth are also directors of Holbeach Marsh Co-operative Limited. At the year end the company was owed £Nil (2003 £1,216) by and owed £639 (2003 Nil) to Holbeach Marsh Co-operative Limited.

During the year the company sold goods and services to Geest QV Limited (an associated undertaking) amounting to £4,374,243 (2003 £4,741,669) and purchased goods amounting to £356,327 (2003 £343,981). All these sales and purchases were on a normal commercial basis. At the year end the company was owed £277,744 (2003 £669,707) and owed £78,660 (2003 £15,604) to Geest QV Limited.

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23 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31 May 2005.

	Equipment		Vehicles	
	2004 £	2003 £	2004 £	2003 £
Within one year	-	13,226	9,592	28,570
Within one to five years	-	-	174,545	163,284
After five years	-	-	-	-
	<u>-</u>	<u>13,226</u>	<u>184,137</u>	<u>191,854</u>