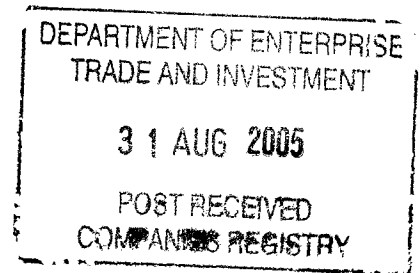




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Registered no: NI 11061



K Hughes & Co. Limited
Abbreviated financial statements
for the year ended 31 December 2004

K Hughes & Co. Limited

Abbreviated financial statements for the year ended 31 December 2004

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K Hughes & Co. Limited

Directors and advisers

Directors

Kevin Hughes
Kieran Hughes
Malachy Hughes
James O'Donnell
Geraldine Hughes – (deceased 6 February 2004)

Secretary

Patricia Crossey

Registered office

118 Trewmount Road
Dungannon
Co Tyrone

Solicitors

P A Duffy & Company
Irish Street
Dungannon
Co Tyrone

Bankers

First Trust Bank Limited
Scotch Street
Dungannon
Co Tyrone

Registered auditors

PricewaterhouseCoopers LLP
18 Northland Row
Dungannon
Co Tyrone

Directors' report for the year ended 31 December 2004

The directors present their report and the audited financial statements for the year ended 31 December 2004.

Principal activities

The principal activities of the company are that of the growing, processing and marketing of mushrooms and general haulage.

Review of business and future developments

The directors consider the results for the year and the position of the company at the year end to be satisfactory. The company will continue to seek every opportunity to increase profitable turnover.

Results and dividends

The profit for the financial year is £198,006 (2003: £214,278). An interim dividend of £60,000 (2003: £80,000) was paid during the year. The directors do not recommend the payment of a final dividend (2003: £Nil).

Directors and their interests

The directors who served during the year are shown on page 1. The interests of the directors who held office at the end of the financial year in the shares of the company were as follows:

	Ordinary shares of £1 each	
	2004 Number	2003 Number
Kieran Hughes	8,250	8,250
Malachy Hughes	8,250	8,250
Kevin Hughes	8,250	8,250
Geraldine Hughes (deceased 6 th February 2004)	-	8,250

The late Mrs Hughes's shareholding in the company devolves to the other shareholders in accordance with the terms of her will. Administration of her estate had not been completed on 31st December 2004.

Political and charitable donations

The company made charitable donations amounting to £5,986 (2003: £5,610) during the year. No donations for political purposes were made during the year.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 company will continue in business.

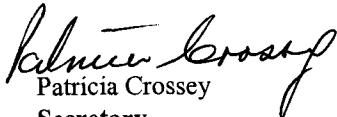
K Hughes & Co. Limited

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies (Northern Ireland) Order 1986. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



Patricia Crossey

Secretary

1 August 2005

K Hughes & Co. Limited

Auditors' report to the directors of K Hughes & Co Limited under Article 255B of the Companies (Northern Ireland) Order 1986

We have examined the abbreviated financial statements on pages 5 to 17 together with the annual financial statements of K Hughes & Co Limited for the year ended 31 December 2004.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated financial statements in accordance with Article 254A of the Companies (Northern Ireland) Order 1986. It is our responsibility to form an independent opinion as to the company's entitlement to deliver abbreviated financial statements prepared in accordance with Article 254A(3) of the Companies (Northern Ireland) Order 1986 and whether the abbreviated financial statements are properly prepared in accordance with that provision and to report our opinion to you. This report, including the opinion, has been prepared for and only for the company's directors for the purpose of Article 255B of the Companies (Northern Ireland) Order 1986 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

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

Opinion

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with Article 254A(3) of the Companies (Northern Ireland) Order 1986 and the abbreviated financial statements to be delivered are properly prepared in accordance with that provision.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Dungannon

1 August 2005

K Hughes & Co. Limited

Abbreviated profit and loss account for the year ended 31 December 2004

(Abbreviated in accordance with the provisions of the
Companies (Northern Ireland) Order 1986)

	Notes	2004 £	2003 £
Gross profit		1,037,092	1,171,077
Net operating expenses	2	(742,156)	(855,355)
Operating profit	3	294,936	315,722
Interest receivable		648	-
Interest payable and similar charges	6	(42,125)	(39,470)
Profit on ordinary activities before taxation		253,459	276,252
Taxation	7	(55,453)	(61,974)
Profit for the financial year		198,006	214,278
Dividends	8	(60,000)	(80,000)
Retained profit for the year	21	138,006	134,278

All amounts above relate to continuing operations of the company.

The company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

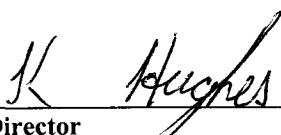
K Hughes & Co. Limited

Abbreviated balance sheet at 31 December 2004

(Abbreviated in accordance with the provisions of the
Companies (Northern Ireland) Order 1986)

	Notes	2004 £	2003 £
Fixed assets			
Tangible assets	9	2,383,826	1,527,631
Investment	10	-	-
		2,383,826	1,527,631
Current assets			
Stocks	11	84,032	31,381
Debtors	12	2,305,260	1,874,276
Cash at bank and in hand		40,965	66,304
		2,430,257	1,971,961
Creditors: amounts falling due within one year	13	(1,862,301)	(1,523,571)
Net current assets		567,956	448,390
Total assets less current liabilities		2,951,782	1,976,021
Creditors: amounts falling due after more than one year	14	(850,283)	(13,156)
Provisions for liabilities and charges	17	(107,564)	(91,418)
Accruals and deferred income	18	(173,621)	(189,139)
Net assets		1,820,314	1,682,308
Capital and reserves			
Called up share capital	20	33,000	33,000
Profit and loss account	21	1,787,314	1,649,308
Equity shareholders' funds	22	1,820,314	1,682,308

The abbreviated financial statements have been prepared in accordance with the special provisions of Part VIII of the Companies (Northern Ireland) Order 1986 relating to medium-sized companies.


Director

Cash flow statement for the year ended 31 December 2004

	Notes	2004 £	2003 £
Net cash inflow from operating activities	23	236,723	497,728
Returns on investments and servicing of finance			
Interest received		648	-
Interest paid		(19,759)	(31,300)
Interest paid on hire purchase contracts		(5,800)	(7,706)
		(24,911)	(39,006)
Taxation			
Corporation tax paid		(68,774)	(55,978)
Capital expenditure			
Purchase of tangible fixed assets		(911,955)	(56,772)
Sale of tangible fixed assets		57,172	5,900
		(854,783)	(50,872)
Equity dividends paid		(60,000)	(85,000)
Net cash (outflow)/ inflow before financing		(771,745)	266,872
Financing			
Loan received net of repayments		743,240	-
Repayment of principal on pension fund loan		-	(50,000)
Repayment of principal under hire purchase contracts		(69,011)	(82,460)
		674,229	(132,460)
(Decrease)/ increase in cash in the year	24 - 25	(97,516)	134,412

Notes to the abbreviated financial statements for the year ended 31 December 2004

1 Accounting policies

These financial statements are prepared on the going concern basis under the historical cost convention, and in accordance with the Companies (Northern Ireland) Order 1986 and applicable accounting standards. The principal accounting policies are set out below.

Basis of consolidation

The financial statements contain information about K Hughes & Co Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under Article 256 of the Companies (Northern Ireland) Order 1986 from the requirement to prepare consolidated financial statements as the group it heads qualifies as a medium-sized group.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, over the expected useful economic lives of the assets concerned. The principal annual rates and bases used for this purpose are as follows:

Freehold buildings	-	4% straight line
Plant, machinery and fixtures	-	15% reducing balance
Office equipment	-	15% reducing balance – 20% straight line
Motor vehicles	-	25% reducing balance

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Cost comprises materials, direct wages and other direct production costs together with a proportion of production overheads.

Debtors

Debtors are stated after all known bad debts have been written off and specific provision has been made against all debts considered doubtful of collection.

Turnover

Turnover represents the invoiced value of goods supplied during the year excluding value added tax and is net of sales returns, trade discounts and rebates. Revenue is recognised upon delivery of products, which is when title to the product is transferred to the customer.

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 profit and its results as stated in the financial statements. Deferred tax assets and liabilities recognised have not been discounted.

Government grants

Grants that relate to specific capital expenditure are treated as deferred income, which is then credited to the profit and loss account over the related asset's useful life. Other grants are credited to the profit and loss account when received.

K Hughes & Co. Limited

1 Accounting policies (continued)

Foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. All assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or the exchange rate of a related foreign exchange contract where appropriate. The resulting gain or loss is dealt with in the profit and loss account.

Leased assets

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 corresponding leasing commitments are shown as obligations to the lessor. Depreciation is charged to the profit and loss account on a straight line basis over the shorter of the lease terms and the useful lives of equivalent owned assets. Lease payments are treated as consisting of capital and interest elements and the interest is charged to revenue in proportion to the reducing capital element outstanding.

Rentals under operating leases are charged to revenue as incurred.

Pension costs

The company operates a defined contribution scheme for specific directors and employees. Contributions are charged to the profit and loss account in the period to which they relate.

2 Net operating expenses

	2004 £	2003 £
Distribution costs	85,192	95,302
Administration expenses	666,973	780,325
	752,165	875,627
Less other operating income:		
Revenue grants and other income	(10,009)	(20,272)
	742,156	855,355

3 Operating profit

	2004 £	2003 £
This is stated after charging/(crediting)		
Staff costs (Note 4)	969,498	1,208,356
Depreciation:		
- owned assets	172,653	153,003
- under hire purchase contracts	27,313	51,667
Loss/(profit) on disposal of fixed assets	9,402	(3,272)
Auditors' remuneration	9,000	9,000
Amortisation of government grants	(15,518)	(16,259)

4 Employee information

	2004	2003
	£	£
Staff costs		
Wages and salaries	811,898	1,055,917
Social security costs	81,502	93,360
Other pension costs	76,098	59,079
	969,498	1,208,356
	Number	Number
Average monthly number of persons (including directors) employed by the company during the year was:		
Production	38	59
Selling and distribution	1	1
Administration	7	11
	46	71

5 Directors' emoluments

	2004	2003
	£	£
Aggregate emoluments	191,960	187,703
Company pension contributions to money purchase schemes	63,419	45,390
	255,379	233,093

Retirement benefits are accruing to four of the directors under the defined contribution schemes.

6 Interest payable and similar charges

	2004	2003
	£	£
On bank loan and overdraft	36,325	27,454
On other loans	-	4,310
On hire purchase and finance leases	5,800	7,706
	42,125	39,470

7 Taxation

	2004 £	2003 £
Current tax:		
UK corporation tax	39,386	67,677
Adjustment in respect of previous periods	(79)	79
Total current tax	39,307	67,756
Deferred tax:		
Origination and reversal of timing differences (accelerated capital allowances and other)	16,146	(6,973)
Adjustment in respect of previous period	-	1,191
	16,146	(5,782)
Tax on profit on ordinary activities	55,453	61,974

The tax assessed for the period is lower than the standard rate of corporation tax in the UK for small companies of 19%.
The differences are explained below:

	2004 £	2003 £
Profit on ordinary activities before tax	253,459	276,252
Profit on ordinary activities multiplied by the small companies rate in the UK (19%) (2003: 19%)	48,157	52,488
Effects of:		
Accelerated capital allowances and other timing differences	(16,146)	6,973
Deferred credits	(2,948)	(3,089)
Depreciation on non-qualifying assets	10,188	4,444
Disallowable items	135	2,379
Adjustment in respect of previous periods	(79)	79
Marginal rate relief	-	(32,103)
Profits taxed at 30%	-	36,585
Current tax charge for the year	39,307	67,756

8 Dividends

	2004 £	2003 £
Interim paid	60,000	80,000

9 Tangible fixed assets

	Freehold land and buildings £	Plant, machinery and fixtures £	Motor lorries £	Motor cars £	Office equipment £	Total £
Cost						
At 1 January 2004	1,421,020	1,127,162	694,368	119,845	210,336	3,572,731
Additions	755,958	165,735	188,600	-	12,442	1,122,735
Disposals	-	-	(134,050)	-	(57,747)	(191,797)
At 31 December 2004	2,176,978	1,292,897	748,918	119,845	165,031	4,503,669
Accumulated depreciation						
At 1 January 2004	559,374	768,236	498,526	73,662	145,302	2,045,100
Charge	62,350	64,982	50,349	10,783	11,502	199,966
Disposals	-	-	(76,433)	-	(48,790)	(125,223)
At 31 December 2004	621,724	833,218	472,442	84,445	108,014	2,119,843
Net book value						
At 31 December 2004	1,555,254	459,679	276,476	35,400	57,017	2,383,826
At 31 December 2003	861,646	358,926	195,842	46,183	65,034	1,527,631

The net book value of tangible fixed assets includes an amount of £219,653 (2003: £157,167) in respect of assets held under hire purchase and finance lease agreements.

10 Investments

	2004 £	2003 £
Cost	30,000	30,000
Amounts written down	(30,000)	(30,000)
Net book value	-	-

This represents 100% of the issued share capital of K Hughes Compost (Moy) Limited which was incorporated in Northern Ireland and its principal activity was that of compost making.

A decision was taken during 1999 to close down K Hughes Compost (Moy) Limited due to the irreversible losses being incurred. The investment by K Hughes & Co Limited is considered worthless and has been written off together with other irrecoverable inter-company debt.

11 Stocks

	2004 £	2003 £
Goods for resale	84,032	31,381

12 Debtors

	2004	2003
	£	£
Trade debtors	1,501,857	1,270,821
Amounts owed by group undertakings	400,111	400,111
Other debtors	386,289	179,607
Prepayments and accrued income	17,003	23,737
	2,305,260	1,874,276

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

13 Creditors: amounts falling due within one year

	2004	2003
	£	£
Bank overdraft	682,668	610,491
Obligations under hire purchase agreements (Note 15)	86,479	38,597
Trade creditors	761,882	545,066
Corporation tax	38,289	67,756
Other tax and social security	40,019	44,457
Other creditors	46,980	77,138
Accruals and deferred income	205,984	140,066
	1,862,301	1,523,571

Security

The bank overdraft is secured by a mortgage debenture over the company assets.

14 Creditors: amounts falling due after more than one year

	2004	2003
	£	£
Bank loan (Note 16)	743,240	-
Obligations under hire purchase (Note 15)	107,043	13,156
	850,283	13,156

15 Obligations under hire purchase

	2004	2003
	£	£
Net hire purchase obligations fall due as follows:		
Within one year	86,479	38,597
In more than one year, but not more than five years	107,043	13,156
	193,522	51,753

16 Bank loans

	2004 £	2003 £
Maturity of debt		
Less than one year, or on demand	70,740	-
Between one and two years	70,740	-
Between two and five years	212,220	-
After more than five years	389,540	-
	743,240	-

The bank loan has no fixed date for repayments to commence but is payable within 15 years. Interest is at LIBOR plus 1.25%.

Security

The bank loan is secured by:

- (i) A mortgage debenture incorporating a fixed and floating charge over company assets including a first charge over business premises at Trewmount Road, Dungannon;
- (ii) legal charge over new factory premises at Trewmount Road, Dungannon; and
- (iii) title to goods held under asset finance agreements.

17 Provisions for liabilities and charges

	Deferred taxation £
At 1 January 2004	91,418
Charged to the profit and loss account	16,146
At 31 December 2004	107,564

	2004 £	2003 £
Deferred taxation		
Accelerated capital allowances	107,564	91,418

18 Accruals and deferred income

Government grants

	2004 £
At 1 January 2004	189,139
Amortisation in the year	(15,518)
At 31 December 2004	173,621

19 Pension obligations

The pension cost charge represents contributions payable by the company to the scheme and amounts to £76,098 (2003: £59,079).

20 Called up share capital

	2004 £	2003 £
Authorised		
50,000 ordinary shares of £1 each	50,000	50,000
Allotted, called up and fully paid		
33,000 (2003: 33,000) ordinary shares of £1 each	33,000	33,000

21 Profit and loss account

	£
At 1 January 2004	1,649,308
Retained profit for the year	138,006
At 31 December 2004	1,787,314

22 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Profit for the financial year	198,006	214,278
Dividends	(60,000)	(80,000)
Net movement during year	138,006	134,278
Opening shareholders' funds	1,682,308	1,548,030
Closing shareholders' funds	1,820,314	1,682,308

23 Net cash inflow from operating activities

	2004 £	2003 £
Operating profit	294,936	315,722
Depreciation charge	199,966	204,670
Loss/(profit) on disposal of fixed assets	9,402	(3,272)
Amortisation of government grants	(15,518)	(16,259)
(Increase)/ decrease in stocks	(52,651)	53,963
(Increase)/ decrease in debtors	(430,984)	677,853
Increase/ (decrease) in creditors	231,572	(734,949)
Net cash inflow from operating activities	236,723	497,728

24 Analysis of net debt

	1 January 2004 £	Cash flow £	Non-cash changes £	31 December 2004 £
Cash at bank and in hand	66,304	(25,339)	-	40,965
Bank overdraft	(610,491)	(72,177)	-	(682,668)
	(544,187)	(97,516)	-	(641,703)
Debt due after one year	-	(743,240)	-	(743,240)
Finance lease	(51,753)	69,011	(210,780)	(193,522)
	(51,753)	(674,229)	(210,780)	(936,762)
Net debt	(595,940)	(771,745)	(210,780)	(1,578,465)

25 Reconciliation of net cash flow to movement in net debt

	2004 £	2003 £
(Decrease)/increase in cash in financial year	(97,516)	134,412
Cash flow from movement in debt	(674,229)	132,460
Change in net debt resulting from cash flows	(771,745)	266,872
Non-cash changes		
New hire purchase obligations	(210,780)	(21,500)
Movement in net funds in the year	(982,525)	245,372
Net debt at 1 January	(595,940)	(841,312)
Net debt at 31 December	(1,578,465)	(595,940)

26 Capital commitments

	2004 £	2003 £
Capital expenditure		
Contracted for but not provided in the financial statements	69,550	-

27 Contingent liabilities

There is a contingent liability to repay certain government grants received under the terms of a letter of offer from LEDU if the company fails to achieve and maintain the specified conditions. In the opinion of the directors the terms of the letter of offer have been complied with, and no loss is expected.

28 Related party transactions

The company has identified the following transactions, which fall to be disclosed under Financial Reporting Standard 8 "Related Party Disclosures".

Transactions with subsidiary company

K Hughes Compost (Moy) Limited, is a wholly owned subsidiary of K Hughes & Co. Limited.

At 31 December 2004, the parent company was owed £400,111 (2003: £400,111) by its subsidiary, being the result of inter-company trading management income and other amounts paid for on its behalf less payments made by the subsidiary on the parent company's behalf.

Directors

Included within other creditors (Note 14) is the directors current account of £10,011.

29 Ultimate controlling party

The ultimate controlling parties are Kieran, Malachy and Kevin by virtue of their involvement in the day to day running of the business and whose shareholdings in the company are disclosed in the directors report.