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SAMWORTH BROTHERS LIMITED
REPORT
AND
ACCOUNTS
2006



SAMWORTH BROTHERS LIMITED
Accounts for the year ended 30th December 2006

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SAMWORTH BROTHERS LIMITED

DIRECTORS

B Stein
M C Samworth
A Barton
M F Duddridge
L Pownall

COMPANY SECRETARY

T J Barker ACA

AUDITORS

PricewaterhouseCoopers LLP
Donington Court, Castle Donington, Derbyshire

BANKERS

HSBC Bank plc
130 New Street, Birmingham

National Westminster Bank PLC
Fore Street, Callington, Cornwall

REGISTERED OFFICE

Chetwode House,
1 Samworth Way, Melton Mowbray, Leicestershire LE13 1GA

REGISTERED NUMBER

3116767 - England

Report of the Directors for the year ended 30 December 2006

The Directors present their annual report and the audited financial statements of the company for the year ended 30th December 2006

Principal activity

The principal activity of the company is the manufacture and distribution of high quality value added food products. There has been no change in activities during the year.

Review of business development

Our principal customers are the major food retailers and, through our Ginster branded business, forecourts, convenience chains and CTNs (confectioner, tobacconist, newsagent).

Sales grew by 12% in the year to £518.8 million. This is all underlying organic growth and is underpinned by our continued investment in manufacturing capacity, quality and efficiency. The Company maintains development kitchens at each of its bakeries. Continued investment in product innovation and product quality are fundamental to the success of both our and our customers' business, now and in the future.

In common with other food businesses we saw the cost of raw materials and energy rise. Our markets are very price sensitive and as a result operating margins reduced slightly from 7.9% to 7.3%.

The Directors expect sales to continue to grow ahead of inflation. Modest increases in selling prices, improvements in operating efficiency and rigorous cost control should enable the Group to offset inflationary pressures and maintain profit margins.

Our success is dependent on the skills of our staff of almost 6,000. Through our culture, training and development initiatives and remuneration package, which include a final salary pension scheme, we are successful in recruiting, developing and retaining staff, which is so important in achieving and maintaining the service levels our customers require.

Results and dividend

The profit for the year after taxation amounted to £24,812,000 (2005 £24,218,000). The Directors recommend that no final dividend per ordinary share be paid (2005 nil), interim dividends amounting to £12,678,000 (2005 £12,952,000) have been paid of £2,290 per ordinary share (2005 £2,340).

Directors

The Directors during the year are shown on page 2. None of the Directors who held office at the end of the financial year had any disclosable beneficial interest in the shares of the company. The interests of the Directors in the share capital of the ultimate holding company are disclosed in those financial statements.

Staff involvement

The company places considerable value on the involvement of its staff and has continued its policy of communication, consultation and involvement. Information is provided to staff on matters which concern them and staff are consulted to obtain their views on matters which affect their interests. A quarterly magazine "The Samworth Standard" is distributed to all staff and includes information on the company developments, staff involvement and their achievements. In addition, most operating businesses produce their own magazine.

The company's ability to meet the needs of its customers and achieve its commercial objectives depends on the contribution of staff throughout the company.

Employment policies

The company is committed to providing equal opportunities to all individuals within its business, through recruitment, training and career development. The company has continued the policy regarding the employment of disabled persons. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate support and training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

SAMWORTH BROTHERS LIMITED

Report of the Directors for the year ended 30 December 2006 (continued)

Charitable Donations

Charitable donations amounted to £399,000 (2005 £398,000) principally to local charities serving the communities in which the group operates

Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors

Each of the persons who are Directors at the date of approval of this report confirm that

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (2) the director has taken all the steps that he or she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Supplier payment policy

The company's policy is to pay suppliers according to agreed terms of business. These terms are agreed with suppliers upon entering into binding contracts and the company's policy is to adhere to the payment terms provided the relevant goods or services have been supplied in accordance with the contracts. At 30th December 2006 trade creditors represented 40 days' annual purchases (2005 44 days)

Financial risk management

The company's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk. The group's principal financial assets are bank balances and cash, trade and other debtors.

The amount presented in the balance sheet in respect of trade debtors and other debtors are net of allowance for doubtful debtors. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The group is exposed to commodity price risks, but manages its exposure on a practical and cost benefit basis.

Corporate Governance

The Board has overall responsibility for identifying, evaluating and managing major business risks facing the company. It regularly reviews the business risk system operated by the divisions. The system reviews all operating divisions' assessments of business risks exposure and control, including compliance assessments, and determines agreed business actions.

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit and loss of the company for that period.

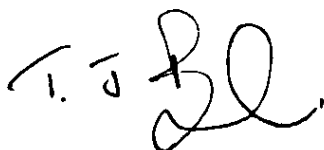
The Directors are also responsible for the adoption of suitable accounting policies and their consistent use in the financial statements, supported where necessary by reasonable and prudent judgements.

The Directors confirm that the above requirements have been complied with in the financial statements.

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 Act 1985. They are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

Chetwode House
1 Samworth Way,
Melton Mowbray



Dated this 23rd day of February 2007

T J Barker ACA
Company Secretary

SAMWORTH BROTHERS LIMITED
Profit and Loss Account
for the year ended 30th December 2006

			2006		2005
	Notes	£'000	£'000	£'000	£'000
Turnover	2		518,796		461,990
Cost of sales			<u>(404,739)</u>		<u>(353,089)</u>
Gross profit			114,057		108,901
Selling and distribution costs		(43,622)		(40,899)	
Administrative expenses		<u>(34,740)</u>		<u>(32,414)</u>	
			<u>(78,362)</u>		<u>(73,313)</u>
Operating profit			35,695		35,588
Net interest receivable	4		528		553
Net pension finance cost	23		<u>(515)</u>		<u>(1,172)</u>
Profit on ordinary activities before taxation	5		35,708		34,969
Taxation on profit on ordinary activities	8		<u>(10,896)</u>		<u>(10,751)</u>
Profit on ordinary activities after taxation	20		24,812		24,218
Dividend	9		<u>(12,678)</u>		<u>(12,952)</u>
Retained profit			<u>12,134</u>		<u>11,266</u>

There is no difference between the profit on ordinary activity before taxation and the retained profit for the year stated above, and their historical cost equivalents. All operations are continuing.

Statement of Total Recognised Gains and Losses
for the year ended 30th December 2006

		2006	2005
	Notes	£'000	£'000
Profit for the financial year		24,812	24,218
Actuarial gain /(loss) on pension scheme	23	7,046	(6,149)
Movement in deferred tax relating to pension liability	23	<u>(2,114)</u>	<u>1,845</u>
Total recognised gains relating to the year		<u>29,150</u>	<u>19,914</u>

SAMWORTH BROTHERS LIMITED

Balance sheet
as at 30th December 2006

	Notes	£'000	2006 £'000	£'000	2005 £'000
Fixed assets					
Intangible assets	10		10,469		11,425
Tangible assets	11		150,348		150,311
			160,817		161,736
Current assets					
Stock	13	12,485		11,667	
Debtors	14	59,997		50,725	
Bank & cash balances		7,600		9,109	
		80,082		71,501	
Creditors amounts falling due within one year	15	(70,355)		(73,101)	
Net current assets/(liabilities)			9,727		(1,600)
Total assets less current liabilities			170,544		160,136
Creditors amounts falling due after more than one year	16	(31,591)		(32,087)	
Accruals and deferred income	17	(9,959)		(9,137)	
Provision for liabilities and charges	18	(10,681)	(52,231)	(11,662)	(52,886)
Net assets before pension liability			118,313		107,250
Net pension (liability)	23		(25,556)		(31,559)
Net assets			92,757		75,691
Capital and reserves					
Called up share capital	19		5		5
Share premium	20		1,421		1,421
Profit and loss account	20		91,331		74,265
Total shareholders funds	21		92,757		75,691

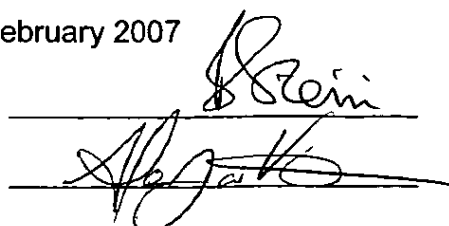
The accounts were approved by the Directors on 23rd February 2007

B Stein

Director

A Barton

Director



SAMWORTH BROTHERS LIMITED
Notes to the Accounts
Year ended 30th December 2006

1. ACCOUNTING POLICIES

The accounts have been prepared in accordance with the Companies Act 1985 and applicable Accounting Standards. A summary of the more important company accounting policies, which have been applied consistently is set out below.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention and the going concern basis.

Consolidation

The financial statements contain information about the company as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the financial statements of its parent company, Samworth Brothers (Holdings) Limited, a company registered in England and Wales.

Turnover

Turnover is the total amount, excluding value added tax, receivable by the company for goods and services provided.

Intangible Fixed Assets

Intangible fixed assets (including goodwill) are capitalised at cost and amortised on a straight line basis over 20 years or the life of the asset if that is shorter.

Tangible Fixed Assets and Depreciation

Fixed assets are stated at cost. Depreciation is calculated to write down the cost of the tangible assets by equal annual amounts over the expected useful lives as follows:

Freehold land	-	Is not depreciated
Leasehold land	-	Over the life of the lease
Freehold office buildings	-	40 years
Industrial freehold buildings	-	25 years
Long leasehold buildings	-	25 years
Short leasehold property	-	Over the life of the lease
Motor vehicles	-	4 – 7 years
Plant and machinery	-	3 -10 years

Plant and machinery includes fixtures and fittings, IT hardware and purchased software.

Cash Flow Statement

The company has not presented a cash flow statement, taking advantage of the exemption available to wholly owned subsidiaries of parent undertakings.

Leased Assets

Operating lease rentals are charged to profit and loss in equal amounts over the lease terms.

SAMWORTH BROTHERS LIMITED

Notes to the Accounts
Year ended 30th December 2006

1. ACCOUNTING POLICIES – continued

Government Grants

Amounts received in respect of government capital grants are initially credited to the accruals and deferred income account, and are then released to the profit and loss account in equal instalments over the expected useful lives of the relevant assets

Stocks

Stocks are valued at the lower of cost (including appropriate overheads) and net realisable value. Direct cost for stocks has been determined on the basis that materials received first are used first.

Deferred Taxation

Deferred tax is provided on all timing differences and has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. Deferred tax assets and liabilities are not discounted.

Pensions

(i) Contributory Defined Benefits Scheme

Funded pension plans are in place for the Company's employees. The assets of these pension plans are managed by third-party investment managers and are held in separate trustee administered funds.

Regular valuations are prepared by independent professionally qualified actuaries. These determine the level of contributions required to fund the benefits set out in the rules of the scheme and allow for the periodic increase of pensions in payment. The regular service cost of providing retirement benefits to employees during the year, together with the cost of any benefits relating to past service is charged to operating profit in the year.

A credit representing the expected return on the assets of the retirement benefit schemes during the year is included within other finance income. This is based on the market value of the assets of the schemes at the start of the financial year.

A charge within other finance charges representing the expected increase in the liabilities of the retirement benefit schemes during the year is included within net interest. This arises from the liabilities of the schemes being one year closer to payment.

The difference between the market value of assets and the present value of accrued pension liabilities is shown as an asset or liability in the balance sheet net of deferred tax.

Differences between actual and expected returns on assets during the year are recognised in the statement of total recognised gains and losses in the year, together with differences arising from changes in assumptions.

(ii) Defined Contribution Scheme

The company operates defined contribution schemes for certain employees. Contributions to the scheme are charged to the profit and loss account as incurred.

SAMWORTH BROTHERS LIMITED

**Notes to the Accounts
Year ended 30th December 2006**

2. TURNOVER

The turnover is attributed to the one principal activity and arises wholly within the United Kingdom

3. STAFF NUMBERS AND COSTS

The average number of persons employed by the company (including Directors) during the year was as follows

	2006 Numbers	2005 Numbers
Management and administration	478	448
Production, sales and distribution	5,254	4,915
	5,732	5,363

The aggregate payroll costs of these persons were as follows

	2006 £'000	2005 £'000
Wages and salaries	116,794	106,513
Social security costs	8,754	7,961
Other pension costs	9,288	7,390
	134,836	121,864

4 NET INTEREST RECEIVABLE

	2006 £'000	2005 £'000
Bank interest receivable	532	482
Other interest	1	79
Bank loans and overdrafts	(5)	(8)
	528	553

SAMWORTH BROTHERS LIMITED

**Notes to the Accounts
Year ended 30th December 2006**

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation is stated after charging / (crediting)		
Depreciation		
- owned assets	24,651	21,644
- leased assets	1,216	1,000
Auditors' remuneration	90	85
Auditors' non-audit fees	62	63
Operating lease rentals, in respect of Land & Buildings	1,121	988
Operating lease rentals, in respect of Plant & Machinery	1,274	1,131
(Profit) on sale of fixed assets	(326)	(170)
Amortisation of intangible asset	96	16
Amortisation of goodwill	860	860
Amortisation of grant	(1,084)	(739)
	<hr/>	<hr/>
The analysis of auditors' non-audit fees is as follows		
Tax services	46	46
Remuneration services	14	10
Other services	2	7
	<hr/>	<hr/>
	62	63
	<hr/>	<hr/>

6. OPERATING LEASES

The company is committed to annual payments in respect of operating leases as follows

	Land & Buildings £'000	2006 Other £'000	Land & Buildings £'000	2005 Other £'000
Commitments which expire in less than one year	170	445	124	405
Commitments which expire in one to five years	375	805	473	858
Commitments which expire after more than five years	759	-	791	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,304	1,250	1,388	1,263
	<hr/>	<hr/>	<hr/>	<hr/>

SAMWORTH BROTHERS LIMITED

**Notes to the Accounts
Year ended 30th December 2006**

7. DIRECTORS' EMOLUMENTS

The remuneration paid to the Directors was

	2006 £'000	2005 £'000
Aggregate emoluments	901	978
Sums paid to third parties for Directors' services	406	320
Defined Benefit Scheme Pension Contribution	6	42
Defined Contribution Scheme Pension Contribution	64	68

Two Directors participate in defined contribution scheme and four in the defined benefit scheme

Emoluments payable to the highest paid Director are as follows

	2006 £'000	2005 £'000
Aggregate emoluments	436	453
Pension costs	40	51

During the year the company paid £nil (2005 £7,000) pension contributions to a defined benefit scheme and £nil (2005 £5,000) to a defined contribution pension scheme in respect of the highest paid Director. The accrued value of defined benefits at 30th December 2006 relating to the highest paid Director was an annual pension of £18,587 (2005 £15,293) and accrued lump sum of £321,200 (2005 £251,000).

SAMWORTH BROTHERS LIMITED

**Notes to the Accounts
Year ended 30th December 2006**

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2006	2005
	£'000	£'000
Taxation based on profit for the year		
UK Corporation tax at 30%	10,326	11,233
(Under)/overprovision in respect of previous years	(970)	246
	<u>9,356</u>	<u>11,479</u>
Deferred tax charge/(credit)	1,540	(728)
	<u>10,896</u>	<u>10,751</u>

The deferred tax charge/(credit) includes a credit of £459,000 (2005 charge £120,000) that is included within the net pension liability

	2006	2005
	£'000	£'000
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK at 30% (2005 30%)	10,712	10,491
Effects of:		
Expenses not deductible for tax purposes	687	506
Capital allowances for the year in excess of depreciation	404	116
(Decrease)/increase in short-term timing differences	(1,477)	120
Adjustments in respect of previous year	(970)	246
Current tax charge	<u>9,356</u>	<u>11,479</u>

9. DIVIDEND

	2006	2005
	£'000	£'000
Interim dividends paid	<u>12,678</u>	<u>12,952</u>

SAMWORTH BROTHERS LIMITED

Notes to the Accounts
Year ended 30th December 2006

10. INTANGIBLE FIXED ASSETS

The net book value of intangible fixed assets is £10,469,000 analysed as follows

(i) Goodwill	2006 £'000
Goodwill at cost at 1 st January 2006 and 30 th December 2006	<u>17,204</u>
Aggregate amortisation	
At 1 st January 2006	6,163
Charge for the year	<u>860</u>
At 30th December 2006	<u>7,023</u>
Net book value 30th December 2006	<u>10,181</u>
Net book value 1 st January 2006	<u>11,041</u>

The goodwill arising on the acquisition of the net assets of two subsidiary companies is being amortised on a straight-line basis over 20 years

(ii) Licence	2006 £'000
Cost	
At 1 st January 2006 and 30 December 2006	400
Aggregate amortisation	
At 1 st January 2006	16
Provided for the year	<u>96</u>
At 30th December 2006	<u>112</u>
Net book value 30th December 2006	<u>288</u>
Net book value 1 st January 2006	<u>384</u>

The intangible fixed asset is a licence to manufacture and sell chilled desserts. The licence is valued at cost and amortised over the period of the licence (four and a half years)

SAMWORTH BROTHERS LIMITED

Notes to the Accounts
Year ended 30th December 2006

11. TANGIBLE FIXED ASSETS

	Land and Buildings £'000	Plant and Machinery £'000	Motor Vehicles £'000	Assets in Course of Construction £'000	TOTAL £'000
COST					
At 1 st January 2006	73,406	169,395	13,784	22,589	279,174
Reclassification	6,164	18,680	-	(24,844)	-
Additions	2,085	14,030	3,755	6,159	26,029
Disposals	(817)	(5,924)	(2,369)	-	(9,110)
At 30th December 2006	80,838	196,181	15,170	3,904	296,093
DEPRECIATION					
At 1 st January 2006	24,508	97,548	6,807	-	128,863
Charge for the year	3,421	19,825	2,621	-	25,867
Disposals	(817)	(5,904)	(2,264)	-	(8,985)
At 30th December 2006	27,112	111,469	7,164	-	145,745
NET BOOK VALUES					
At 30th December 2006	53,726	84,712	8,006	3,904	150,348
At 1 st January 2006	48,898	71,847	6,977	22,589	150,311

Land and Buildings at net book values comprise

	2006 £'000	2005 £'000
Freehold	43,551	38,257
Long Leasehold	9,995	10,554
Short Leasehold	180	87
	53,726	48,898

12. FIXED ASSET – INVESTMENTS

The investments comprise investments in subsidiaries

	2006 £'000	2005 £'000
Cost of investments	3,204	3,204
Provision for diminution in value	(3,204)	(3,204)
Net book value at 30 th December 2006 and 1 st January 2006	-	-

SAMWORTH BROTHERS LIMITED

Notes to the Accounts Year ended 30th December 2006

12. FIXED ASSET – INVESTMENTS – continued

All the company's subsidiary undertakings are now dormant. The directors consider that the carrying value of investments in subsidiary undertakings is such that full provision is necessary in these financial statements.

The company's subsidiaries, all of which are dormant, are set out below:

Ginsters Limited	Kensley Foods Limited
Thorpe Butler Limited	Henry Walker (Retail) Limited
Westward Laboratories Limited	Melton Foods Limited
Walker & Son (Leicester) Limited	Samworth Brothers Distribution Limited
Moss Side Products Limited	Kettleby Foods Limited
Walkers (Leicester) Limited	The Dessert Solution Company Limited
Dickinson & Morris Limited	The Sandwich Centre Limited
Tamar Foods Limited	

The company disposed of Mrs Beetons Foods Limited on 15th August 2006. A capital contribution of £1,059,000 was made to Mrs Beetons Foods Limited prior to the disposal.

All the subsidiary companies are wholly owned and registered in England and Wales.

13. STOCKS

	2006 £'000	2005 £'000
Raw materials	6,228	5,914
Packaging materials	3,404	3,012
Goods for resale	2,669	2,507
Other stocks	184	234
	<u>12,485</u>	<u>11,667</u>

14. DEBTORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £'000	2005 £'000
Trade debtors	44,663	36,317
Group companies	3,914	4,973
Pension prepayment	2,328	1,541
Prepayment and other debtors	9,092	7,894
	<u>59,997</u>	<u>50,725</u>

SAMWORTH BROTHERS LIMITED

**Notes to the Accounts
Year ended 30th December 2006**

15. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £'000	2005 £'000
Trade creditors	38,010	36,504
Corporation tax	5,602	6,462
Other taxes and social security	3,074	2,670
Other creditors	7,271	10,800
Accruals	16,398	15,235
Amount owed to related party	-	1,430
	<u>70,355</u>	<u>73,101</u>

16. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006 £'000	2005 £'000
Group companies	<u>31,591</u>	<u>32,087</u>

17. ACCRUALS AND DEFERRED INCOME

	2006 £'000
Government grants as at 1 st January 2006	9,137
Received during the year	1,906
Amounts credited to profit and loss account	(1,084)
Government grants as at 30 th December 2006	<u>9,959</u>

18. PROVISION FOR LIABILITIES AND CHARGES

	Pensions £'000	Deferred Tax £'000	Other £'000	Total £'000
At 1 st January 2006	5,324	5,380	958	11,662
Utilised	(1,839)	-	(275)	(2,114)
Transfer to profit and loss account	53	1,080	-	1,133
At 30 th December 2006	<u>3,538</u>	<u>6,460</u>	<u>683</u>	<u>10,681</u>

SAMWORTH BROTHERS LIMITED

**Notes to the Accounts
Year ended 30th December 2006**

18. PROVISION FOR LIABILITIES AND CHARGES - continued

Other provisions comprise long-term incentive schemes and an onerous lease provision

Deferred tax has been provided in full analysed as follows

	2006 £'000	2005 £'000
Excess of capital allowances over depreciation	7,239	7,560
Other timing differences	(779)	(2,180)
	<u>6,460</u>	<u>5,380</u>
Deferred tax asset on pension liability (note 23)	(10,952)	(13,526)
Net deferred tax liability	<u>(4,492)</u>	<u>(8,146)</u>

19. CALLED UP SHARE CAPITAL

	Authorised £'000	2006 Allotted, called up and fully paid £'000	Authorised £'000	2005 Allotted, called up and fully paid £'000
Ordinary shares of £1 each	<u>1,000</u>	<u>5</u>	<u>1,000</u>	<u>5</u>

20. RESERVES

	Share premium £'000	Profit and loss £'000
At 1 st January 2006	1,421	74,265
Profit on ordinary activities after taxation	-	24,812
Dividend	-	(12,678)
Actuarial gain/(loss) on pension scheme	-	7,046
Movement on deferred tax relating to pension liability	-	(2,114)
At 30 th December 2006	<u>1,421</u>	<u>91,331</u>

SAMWORTH BROTHERS LIMITED

**Notes to the Accounts
Year ended 30th December 2006**

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £'000	2005 £'000
Profit for the financial year	24,812	24,218
Dividend	(12,678)	(12,952)
Other recognised gains /(losses) relating to the year	4,932	(4,304)
Net change to shareholders funds	17,066	6,962
Opening shareholders funds	75,691	68,729
Closing shareholders' funds	92,757	75,691

22. CAPITAL COMMITMENTS

Capital expenditure contracted for but not provided amounted to £5,516,300 (2005 £8,216,000)

23. PENSIONS

a) Defined Benefit Pension Plan

The most recent actuarial valuations of the company's defined benefit scheme, the Samworth Brothers Limited Superannuation Scheme was at 5th April 2005 and updated to 30th December 2006. The scheme is a funded scheme with assets held in separate trustee administered funds. The valuation of the scheme was carried out by Hewitt, Bacon and Woodrow, professionally qualified actuaries.

The principal assumptions used by the independent qualified actuary in updating the latest valuation of the scheme for FRS 17 purposes were

The main financial assumptions:

	2006 (% p.a.)	2005 (% p.a.)	2004 (% p.a.)
Inflation	3.13	2.86	2.90
Rate of general long-term increase in salaries	3.88	3.61	4.15
Rate of increase to pension in payment-pre 1997 pension (in excess of the GMP)	nil	nil	nil
- 1997-2005 pension	3.11	2.83	2.70
- post – April 2005 pension	2.33	2.10	1.90
Discount rate for scheme liabilities	5.12	4.75	5.25

Expected return on assets

	2006 (% p.a.)	2006 £'000	2005 (% p.a.)	2005 £'000	2004 (% p.a.)	2004 £'000
Equities	7.47	86,689	7.08	68,936	7.5	44,135
Bonds	4.53	34,818	4.09	32,225	4.6	20,262
Other	5.73	8,068	5.22	6,100	4.8	17,429
Total market value of assets		129,575		107,261		81,826

SAMWORTH BROTHERS LIMITED

**Notes to the Accounts
Year ended 30th December 2006**

23. PENSIONS - continued

The following amounts have been recognised in the performance statement in the year to 30th December 2006 under the requirements of FRS17

Analysis of amount included within operating profit

	2006 £'000	2005 £'000
Current service cost	9,274	7,345
Total operating charge	<u>9,274</u>	<u>7,345</u>

Analysis of amount debited to other finance costs

	2006 £'000	2005 £'000
Expected return on pension scheme assets	6,878	5,376
Interest cost on pension scheme liabilities	<u>(7,393)</u>	<u>(6,548)</u>
Net costs	<u>(515)</u>	<u>(1,172)</u>

Analysis of amount recognised in Statement of Total Recognised Gains and Losses

	2006 £'000	2005 £'000
Actual return less expected return on pension scheme assets	2,613	9,901
Experience (loss)/gains and losses arising on the scheme liabilities	(179)	4,193
Changes in assumptions underlying the present value of the scheme liabilities	4,612	(20,243)
Actuarial gain/loss recognised in STRGL	<u>7,046</u>	<u>(6,149)</u>

Reconciliation to balance sheet

	2006 £'000	2005 £'000
Total market value of assets	129,575	107,261
Present value of scheme liabilities	<u>(166,083)</u>	<u>(152,346)</u>
Deficiency in the scheme	(36,508)	(45,085)
Related deferred tax asset	10,952	13,526
Net pension (liability)	<u>(25,556)</u>	<u>(31,559)</u>

SAMWORTH BROTHERS LIMITED

Notes to the Accounts
Year ended 30th December 2006

23. PENSIONS - continued

Analysis of movement in deficit during the year

	2006 £'000	2005 £'000
Deficit in scheme at beginning of the year	(45,085)	(38,537)
Current service cost	(9,274)	(7,345)
Contributions	11,320	8,118
Other finance income	(515)	(1,172)
Actuarial gain/loss	7,046	(6,149)
Deficit in scheme at end of year	<u>(36,508)</u>	<u>(45,085)</u>

History of experience gains and losses

	2006	2005	2004	2003	2002
Difference between the actual and Expected return on scheme assets					
Amount (£'000)	2,613	9,901	4,345	3,130	(14,646)
Percentage of scheme assets	2%	9%	5%	5%	33%
Experience gains/(losses) on scheme liabilities					
Amount (£'000)	(179)	4,193	54	7	(4,813)
Percentage of the present value of the scheme liabilities	0%	3%	0%	0%	6%
Total amount recognised in statement of total recognised gains and losses					
Amount (£'000)	7,046	(6,149)	(3,747)	(6,399)	(17,538)
Percentage of the present value of the scheme liabilities	4%	4%	3%	7%	23%

b) Defined Contribution Schemes

The pension costs charged to the profit and loss account amounted to £6,000 (2005 £42,000)

24. CONTINGENT LIABILITIES

The company is party to a multilateral guarantee on the bank accounts of all companies within the group

SAMWORTH BROTHERS LIMITED

**Notes to the Accounts
Year ended 30th December 2006**

25. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under FRS8 for 90 percent subsidiaries not to disclose intra-group transactions. During the year, certain managerial functions and staff were provided by JDM Solutions, a company under common ownership. The company has been invoiced management charges in respect of group services provided in the year of £2,580,000 (2005: £3,222,000) with a creditor of £nil (2005: £1,430,000) outstanding at the year end.

26. ULTIMATE CONTROLLING BODY

The directors regard the Trustees of a number of Private Trusts, acting in concert, to be the ultimate controlling body of the group by virtue of their interest in the share capital of Samworth Brothers (Holdings) Limited.

27. PARENT UNDERTAKING

The company is a wholly owned subsidiary of Samworth Brothers (Holdings) Limited.

The consolidated accounts of the group are available for inspection at

Chetwode House
1 Samworth Way
Melton Mowbray
Leicestershire
LE13 1GA

SAMWORTH BROTHERS LIMITED
Independent Auditors' Report to the Members of
Samworth Brothers Limited

We have audited the company financial statements (the "financial statements") of Samworth Brothers Limited for the year ended 30 December 2006 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 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.

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 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 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 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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 December 2006 and of the company's profit and cash flows for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985
- The information given in the Directors' Report is consistent with the financial statements


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
East Midlands

3 September 2007