

**CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED**

**DIRECTORS' REPORT AND ACCOUNTS**

**for the year ended**

**31st August 2007**

**COMPANY REGISTRATION NO: 3574122**

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# CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

## Report of the Directors for the year ended 31st August 2007

The directors present their report and accounts for the year ended 31st August 2007

### Results, dividends and activities

The results for the year are shown on the Consolidated Profit and Loss Account on page 4

The results for the year show a profit before taxation, of £1,398,207 and sales of £68,904,258  
The directors do not recommend the payment of a dividend for the year

The principal activity of the company is the manufacture and supply of compound animal feed

### Review of business and future developments

Continued progress has been made during the financial year and all our plants are operating efficiently and approaching capacity

The directors are satisfied with the progress of the company and are confident that further development will be achieved during the current year

### Financial risk management objectives and policies

The company uses conventional forms of working capital to finance its day to day activities and as such the figures appearing in the accounts reflect the absolute value of amounts recoverable and payable. The directors receive regular reports on these figures in order to manage the company's requirements

The company does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to price risk or liquidity risk

### Directors

The directors who served the company during the year and were in office at 31st August 2007 were Mr S N Gooderham, Mr C N C Holmes, Mr P Steeples, Mr R Tomlinson and Mr L L R Whiteley

### Auditors

Mitchell Charlesworth are willing to continue in office as auditors and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting in accordance with Section 385 of the Companies Act 1985

By Order of the Board



D MARSHALL

Secretary

Cunard Building,  
Liverpool L3 1EL  
6th December 2007

## **CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES**

### **Statement of Directors' Responsibilities for the year ended 31st August 2007**

The directors are required under company law to prepare accounts for each financial period which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and the group and of the profit or loss of the group for that period

In preparing these accounts, they are required to

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

The directors are also responsible for

- ◆ keeping proper accounting records,
- ◆ safeguarding the company's assets,
- ◆ taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as the directors are aware

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

# Mitchell Charlesworth

Chartered Accountants

5 Temple Square · Temple Street Liverpool L2 5RH

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED

We have audited the accounts of Carrs Billington Agriculture (Operations) Limited for the year ended 31 August 2007 on pages 4 to 20 which have been prepared on the basis of the accounting policies set out on pages 8 and 9

This report is made solely to the company's shareholders, 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 directors and auditor

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the accounts 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 accounts, 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

### Opinion

In our opinion

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the affairs of the group and company as at 31st August 2007 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the accounts



MITCHELL CHARLESWORTH  
Registered Auditor

7th December 2007

## CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

### Consolidated Profit and Loss Account for the year ended 31st August 2007

		2007		2006	
	Notes	£'000	£'000	£'000	£'000
<b>Turnover</b>	2		68,904		69,744
Cost of sales			<u>57,652</u>		<u>58,295</u>
<b>Gross profit</b>			11,252		11,449
Sales and distribution costs		8,239		8,728	
Administrative expenses		<u>1,097</u>	<u>9,336</u>	<u>1,378</u>	<u>10,106</u>
<b>Operating Profit</b>	3		1,916		1,343
Exceptional item	5		-		466
Interest receivable and similar income	6	5		1	
Interest payable and similar charges	7	<u>( 523)</u>	<u>( 518)</u>	<u>( 554)</u>	<u>( 553)</u>
<b>Profit on ordinary activities before taxation</b>			1,398		1,256
Taxation	8		<u>( 333)</u>		<u> 95</u>
<b>Profit for the year</b>	20		<u>1,065</u>		<u>1,351</u>

The turnover and operating profit are wholly attributable to continuing operations

The notes on pages 8 to 20 form part of these accounts

## CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

### Consolidated Statement of Total Recognised Gains and Losses for the year ended 31st August 2007

	2007 £'000	2006 £'000
Profit for the year	1,065	1,351
Actuarial gain on net pension liability	2,932	420
Deferred tax associated with net pension liability	( 880)	( 234)
<b>Total recognised gains and losses relating to the year</b>	<b>3,117</b>	<b>1,537</b>
Prior year adjustment	—	(5,205)
<b>Total recognised gains and losses since last annual report</b>	<b>3,117</b>	<b>(3,668)</b>

# CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

## Balance Sheets as at 31st August 2007

	Notes	Group		Company	
		2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>Fixed assets</b>					
Intangible assets	9	781	914	781	914
Tangible assets	10	10,064	10,716	10,064	10,716
Investments	11	—	—	<u>3,421</u>	<u>3,421</u>
		10,845	11,630	14,266	15,051
<b>Current assets</b>					
Stock	12	1,640	1,215	1,640	1,215
Debtors	13	7,846	6,562	7,846	6,562
Cash at bank and in hand		<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
		9,487	7,778	9,487	7,778
<b>Creditors</b>					
Amounts falling due within one year	14	<u>10,545</u>	<u>7,989</u>	<u>13,717</u>	<u>11,161</u>
<b>Net current liabilities</b>		<u>( 1,058)</u>	<u>( 211)</u>	<u>( 4,230)</u>	<u>( 3,383)</u>
<b>Total assets less current liabilities</b>		9,787	11,419	10,036	11,668
<b>Creditors</b>					
Amounts falling due after more than one year	15	5,743	6,737	5,743	6,737
<b>Provision for liabilities and charges</b>	17	<u>311</u>	<u>1,279</u>	<u>311</u>	<u>1,279</u>
<b>Net assets excluding pension liabilities</b>		3,733	3,403	3,982	3,652
Pension liabilities	22	<u>1,195</u>	<u>3,982</u>	<u>1,195</u>	<u>3,982</u>
<b>Net assets</b>		<u>2,538</u>	<u>( 579)</u>	<u>2,787</u>	<u>( 330)</u>
<b>Capital and reserves</b>					
Called up share capital	19	500	500	500	500
Profit and loss account	20	<u>2,038</u>	<u>( 1,079)</u>	<u>2,287</u>	<u>( 830)</u>
<b>Surplus on shareholders' funds</b>	20	<u>2,538</u>	<u>( 579)</u>	<u>2,787</u>	<u>( 330)</u>

The accounts were approved by the Board of Directors on 6th December 2007 and were signed on its behalf by

 R TOMLINSON )  
 L L R WHITELEY ) Directors

The notes on pages 8 to 20 form part of these accounts

## CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

### Consolidated Cash Flow Statement for the year ended 31st August 2007

	Notes	2007 £'000	2006 £'000
<b>Net cash outflow from operating activities</b>	25	(1,440)	1,233
<b>Returns on investment and servicing of finance</b>			
Interest received		5	1
Interest paid		<u>( 523)</u>	<u>( 554)</u>
		( 518)	( 553)
<b>Taxation</b>		362	26
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(1,522)	(1,347)
Proceeds from sale of tangible fixed assets		18	46
Proceeds from sale of intangible current assets		-	1,700
Proceeds from sale of tangible current assets		<u>—</u>	<u>2,973</u>
		(1,504)	3,372
<b>Net cash outflow before financing</b>		(3,100)	4,078
<b>Financing</b>			
Loan repayments		( 750)	(1,950)
New finance leases		60	149
New loans		2,000	-
Capital element of finance lease repayments		<u>( 271)</u>	<u>( 258)</u>
<b>Net cash inflow from financing</b>		1,039	(2,059)
<b>Decrease in cash in the year</b>	27	<u>(2,061)</u>	<u>2,019</u>

# CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 1. Accounting policies

#### Accounting convention

These accounts are prepared under the historical cost convention, and in accordance with applicable accounting standards

#### Basis of consolidation

The group accounts comprise a consolidation of the accounts of the holding company and its subsidiary undertakings, which have been made up to 31st August 2007

#### Goodwill

Goodwill on acquisitions is calculated as the difference between the consideration and fair value of net assets acquired. Goodwill is capitalised in accordance with FRS 10 and amortised over its useful economic life, assessed at 8 years

#### Turnover

Turnover, which excludes value added tax, represents the amount receivable for goods and services rendered

#### Depreciation

Depreciation of tangible fixed assets has been calculated to write off the cost of the assets, less their estimated residual value over their estimated useful lives at the following rates

Freehold and long leasehold buildings	5% - 10%
Plant and machinery	10% - 33%
Motor vehicles	25% - 33%

#### Stocks

Stocks are valued at the lower of cost and net realisable value. In respect of work in progress and finished goods, cost includes all production overheads and an attributable proportion of indirect overhead expenses

#### Finance leases

Assets held under finance leases are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest charged to the Profit and Loss Account on a straight line basis

#### Operating lease agreements

Rentals applicable to operating leases where substantively all of the benefits and risk of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

#### 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 have occurred at that date that will result in an obligation to pay more, or a right to pay less tax

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date

#### Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangements, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities

# CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 1. Accounting policies [continued]

#### Pension schemes

Contributions in respect of defined contribution pension schemes are charged to the Profit and Loss Account when they become payable

In accordance with 'FRS17 – Retirement Benefits', the operating and financing costs of defined benefit pension schemes are recognised separately in the Profit and Loss Account. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise

The difference between actual and expected returns on assets during the year, including changes in actuarial assumptions, is recognised in the statement of total recognised gains and losses

### 2. Turnover

All turnover relates to operations in the United Kingdom, and relates to one class of business - the manufacture and supply of compound animal feed

### 3. Operating profit

	2007 £'000	2006 £'000
The operating profit for the year has been arrived at after		
<b>Charging</b>		
Directors' emoluments	-	-
Depreciation	1,454	1,333
Amortisation	133	165
Operating lease charges		
- land and buildings	47	124
- motor vehicles	391	509
Auditors' remuneration		
- audit	12	11
- non-audit	6	6
<b>Crediting</b>		
Profit on disposal of fixed assets	9	21

Included in operating profit for the year is £217,225 relating to the write back of excess provisions brought forward from 2006

### 4. Directors' emoluments and employment costs

The directors are remunerated by the respective investing companies. Charges are raised to reflect the proportionate amount of time spent in the management of the company

	2007 £'000	2006 £'000
<b>Employees</b>		
Total cost of employment		
Wages and salaries	4,348	5,266
Social security costs	427	499
Other pension costs	<u>239</u>	<u>275</u>
	<u>5,014</u>	<u>6,040</u>

## CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

### Notes to the Accounts

#### 4. Directors' emoluments and employment costs [continued]

Average number of employees	2007 Number	2006 Number
Administration and management	14	23
Production	162	190
Sales	<u>5</u>	<u>6</u>
	181	219
	<u>    </u>	<u>    </u>

#### 5. Exceptional item

	2007 £'000	2006 £'000
Costs of restructuring	-	(170)
Release of negative goodwill	-	498
Profit on disposal of Penrith Mill	<u>-</u>	<u>138</u>
	-	466
	<u>    </u>	<u>    </u>

The exceptional item in 2006 represented the additional costs and profits arising on restructuring the business following the acquisition of the business and certain assets of W & J Pye Limited (in Administration)

#### 6. Interest receivable and similar income

	2007 £'000	2006 £'000
Bank interest receivable	5	1
	<u>    </u>	<u>    </u>

#### 7. Interest payable and similar charges

	2007 £'000	2006 £'000
Bank interest payable	282	385
Hire purchase interest	41	52
Group interest	102	-
Other finance charges	<u>98</u>	<u>117</u>
	523	554
	<u>    </u>	<u>    </u>

# CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

## Notes to the Accounts

8. Taxation - charge (credit)	2007 £'000	2006 £'000
<b>a. Analysis of tax charge</b>		
Current tax	-	-
Charge for year	<u>          </u>	<u>          </u>
Deferred tax		
Origination and reversal of timing difference	412	( 95)
Adjustment in respect of previous year	(106)	-
Effect of reduction in tax rate on opening balance	<u>27</u>	<u>          </u>
	333	(95)
	<u>          </u>	<u>          </u>
Tax charge on profit on ordinary activities	333	( 95)
	<u>          </u>	<u>          </u>
<b>b. Factors affecting the tax credit for the year</b>		
Tax on profit on ordinary activities at the averaged standard rate of corporation tax of 30% (2006 30%)	419	363
Effects of		
Capital allowances in excess of depreciation	(225)	(469)
Other timing differences	(328)	(285)
Unrelieved tax losses	<u>134</u>	<u>391</u>
	-	-
	<u>          </u>	<u>          </u>
<b>9. Intangible fixed assets</b>		
		<b>Goodwill</b>
<b>Group and company</b>		<b>£'000</b>
At 1st September 2006 and at 31st August 2007		1,065
		<u>          </u>
<b>Amortisation</b>		
At 1st September 2006		151
Charge for the year		<u>133</u>
At 31st August 2007		284
		<u>          </u>
<b>Net book amount</b>		
At 31st August 2007		781
		<u>          </u>
At 31st August 2006		914
		<u>          </u>

## CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

### Notes to the Accounts

#### 10. Tangible fixed assets

Group and company Cost	Land and buildings £'000	Plant and machinery £'000	Total £'000
At 1st September 2006	4,361	17,610	21,971
Additions	4	807	811
Disposals	—	( 777)	( 777)
At 31st August 2007	4,365	17,640	22,005
<b>Depreciation</b>			
At 1st September 2006	638	10,617	11,255
Charge for year	178	1,276	1,454
Disposals	—	( 768)	( 768)
At 31st August 2007	816	11,125	11,941
<b>Net book amount</b>			
At 31st August 2007	3,549	6,515	10,064
At 1st August 2006	3,723	6,993	10,716

The net book value of land and buildings includes £117,101 (2006 £117,101) of long leasehold property. Land and buildings includes, where applicable, fixed plant which forms an integral part of the building structure.

Plant includes motor vehicles having a net book value of £1,128,812 (2006 £1,279,555).

The net book value of tangible fixed assets includes an amount of £837,407 (2006 £757,602) in respect of assets held under finance leases, and on which depreciation charged in the year was £195,869 (2006 £169,077).

#### 11. Investments

Company	2007 £'000	2006 £'000
Investments in subsidiary undertakings	3,421	3,421

The company holds 100% of the shares of a number of dormant companies which are registered in either England and Wales, or Scotland.

#### 12. Stocks

Group and company	2007 £'000	2006 £'000
Raw materials	1,124	810
Finished goods and goods for resale	516	405
	1,640	1,215

## CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

### Notes to the Accounts

#### 13. Debtors

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade debtors	6,650	4,486	6,650	4,486
Other debtors	329	709	329	709
Fellow subsidiary undertaking	-	324	-	324
Prepayments and accrued income	374	389	374	389
Corporation tax recoverable	292	292	292	292
Consortium tax relief receivable	<u>201</u>	<u>362</u>	<u>201</u>	<u>362</u>
	<u>7,846</u>	<u>6,562</u>	<u>7,846</u>	<u>6,562</u>

#### 14. Creditors - amounts falling due within one year

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Current instalments on loans	500	500	500	500
Bank overdraft	2,176	115	2,176	115
Trade creditors	1,348	1,456	1,348	1,456
Ultimate parent undertaking	2,039	3	2,039	3
Parent undertaking	-	336	-	336
Subsidiaries and fellow subsidiaries	3,110	3,548	6,282	6,720
Finance lease obligations	289	256	289	256
Other creditors	184	902	184	902
Accruals and deferred income	<u>899</u>	<u>873</u>	<u>899</u>	<u>873</u>
	<u>10,545</u>	<u>7,989</u>	<u>13,717</u>	<u>11,161</u>

The company has given a debenture by way of a cross guarantee with Carrs Billington Agriculture (Sales) Limited and Northern Feeds Solutions Limited as security for the collective bank facilities of these companies

#### 15. Creditors - amounts falling due after more than one year

Group and company	2007 £'000	2006 £'000
Bank loan	1,000	1,750
Parent company loan	3,275	3,275
Other loan	1,225	1,225
Finance lease obligations	<u>243</u>	<u>487</u>
	<u>5,743</u>	<u>6,737</u>

## CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

### Notes to the Accounts

#### 15. Creditors - amounts falling due after more than one year [continued]

	2007	2006
	£'000	£'000
<b>Repayment of bank loan</b>		
In one year or less	500	500
Between one and two years	500	500
Between two and five years	<u>500</u>	<u>1,250</u>
	<u>1,500</u>	<u>2,250</u>

The bank loan is secured and is subject to a variable interest rate, being 7.25% at 31st August 2007

The parent company loan is interest free and there are no formal terms for its repayment

The other loan is interest free, further details of which are given in note 23

#### 16. Lease obligations

	2007	2006
	£'000	£'000
<b>Group and company</b>		
<b>Finance leases</b>		
Amounts falling due		
Within one year	289	256
Within two to five years	<u>243</u>	<u>487</u>
	<u>532</u>	<u>743</u>

	Land and buildings		Plant and machinery	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
<b>Group and company</b>				
<b>Leasing commitments</b>				
Leases expiring				
Within one year	-	-	13	43
Within two to five years	-	-	313	172
After five years	<u>47</u>	<u>44</u>	<u>-</u>	<u>173</u>
	<u>47</u>	<u>44</u>	<u>326</u>	<u>388</u>

The lease commitments relate to future annual rentals payable under non-cancellable operating leases

#### 17. Provision for liabilities and charges

	2007	2006
	£'000	£'000
<b>Group and Company</b>		
17.1 Deferred Taxation	311	139
17.2 Provision of costs in respect of reorganisation of activities	<u>-</u>	<u>1,140</u>
	<u>311</u>	<u>1,279</u>

## CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

### Notes to the Accounts

#### 17. Provision for liabilities and charges [continued]

	2007 £'000	2006 £'000
<b>17.1 Deferred Taxation</b>		
Accelerated capital allowances	686	559
Losses and other deductions	<u>(375)</u>	<u>(420)</u>
	311	139
	=	=
At 1st September 2006	139	-
Acquisition	-	(500)
Profit and loss account charge	333	(95)
Pension liability - contributions and rate change movement	(362)	-
Prior year loss surrender	<u>201</u>	<u>734</u>
At 31st August 2007	311	139
	=	=

#### 17.2 Provision of costs in respect of reorganisation of activities

During the year reorganisation provisions amounting to £922,621 were settled. The balance of the £1,139,846 of reorganisation provisions brought forward, being £217,225 has been released back to profit and loss account.

#### 18. Capital commitments

There were no capital commitments at 31st August 2007 (2006 £ nil)

#### 19. Share capital of Carrs Billington Agriculture (Operations) Limited

	Authorised		Allotted, called up and fully paid	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Ordinary A shares of £1 each	245	245	245	245
Ordinary B shares of £1 each	<u>255</u>	<u>255</u>	<u>255</u>	<u>255</u>
	500	500	500	500
	=	=	=	=

Each class of shares is entitled to vote and ranks pari passu with the other

	Share Capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
<b>20. Reconciliation of movement in shareholders' funds</b>			
<b>Group</b>			
At 1st September 2006	500	(1,079)	( 579)
Actuarial gain on net pension liability	-	2,932	2,932
Deferred tax associated with net pension liability	-	( 880)	( 880)
Profit for the year	-	<u>1,065</u>	<u>1,065</u>
At 31st August 2007	500	2,038	2,538
	=	=	=

## CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

### Notes to the Accounts

20. Reconciliation of movement in shareholders' funds [continued]	Share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
<b>Company</b>			
At 1st September 2006	500	( 830)	( 330)
Actuarial gain on net pension liability	-	2,932	2,932
Deferred tax associated with net pension liability	-	(880)	(880)
Profit for the year	<u>-</u>	<u>1,065</u>	<u>1,065</u>
At 31st August 2007	<u>500</u>	<u>2,287</u>	<u>2,787</u>

### 21. Profit of holding company

As permitted by Section 230 of the Companies Act 1985, the Profit and Loss Account of the parent undertaking is not presented as part of these accounts. The consolidated profit for the year includes a profit of £1,064,747 (2006 profit £1,505,625) which is dealt with in the accounts of Carrs Billington Agriculture (Operations) Limited.

### 22. Pensions

Carrs Billington Agriculture (Operations) Limited is the principal employer of the Carrs Billington Agriculture Pension Scheme, a funded defined benefit scheme. The scheme commenced on 6th April 1997 and resulted primarily from the merger of the AF plc Retirement Benefits ("RBP") and the AF plc Staff Pension Scheme ("SPS"). The assets of the scheme are totally separate from those of the company and are invested with financial institutions. The contributions are determined by qualified actuaries on the basis of triennial valuations using the attained age method of valuation.

Variations from the regular cost are normally allocated over the average remaining service lives of the current employees.

The most recent valuation of the scheme's assets was carried out at 1st January 2004 and amounted to £14,632,000. The valuation of the assets of the Carrs Billington Agriculture Pension Scheme at that date, represented 81% of the actuarial benefits that had accrued to members after allowing for expected future increases in earnings. The assumptions used in arriving at the valuations were a real rate of return over salary increases on funds invested of 2% when discounting liabilities up to retirement and 0.5% when valuing post retirement benefits, and a rate of increase in present and future pensions of 3.5%.

Contributions paid into the scheme during the year amounted to £1,326,275. Carrs Billington Agriculture (Sales) Limited, a related undertaking with agreed obligations in respect of employees who are members of the scheme, paid £77,000, being its share of the current service cost.

The actuarial valuation was updated to 31st August 2007 by an independent qualified actuary in accordance with FRS17. As required by FRS17, the defined benefit liabilities have been measured using the projected unit method and both the assets and liabilities include the value of pensions in payment, which are secured with insured annuities.

The following table sets out the key FRS17 assumptions used for the scheme. The table also sets out as at 31st August 2007 the fair value of the assets, a breakdown of the assets into the main asset classes, the present value of the FRS17 liabilities and the surplus or deficit of assets over the FRS17 liabilities (which equals the gross pension asset or liability), which is included in the balance sheet.

Also detailed are the amounts that have been included in the Profit and Loss Account and Statement of Total Recognised Gains and Losses.

# CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 22. Pensions

Assumptions	2007	2006	2005
Price inflation	3.30% p a	3.00% p a	2.73% p a
Discount rate	5.80% p a	5.10% p a	4.88% p a
Pension increases (LPI max 5%)	3.30% p a	3.00% p a	2.73% p a
Pension increases (LPI max 3%)	2.75% p a	3.00% p a	2.73% p a
Pension increases (LPI max 2.5%)	2.25% p a	-	-
Salary growth	3.80% p a	3.50% p a	3.50% p a

#### Asset distribution and expected return

Components	2007		2006		2005	
	Expected return	Fair value £'000	Expected return	Fair value £'000	Expected return	Fair value £'000
Equities	7.50%	14,150	6.70% p a	13,459	6.70% p a	12,288
Bonds	5.10%	5,628	4.10% p a	4,991	4.20% p a	4,194
Cash	5.10%	<u>883</u>	4.10% p a	<u>558</u>	4.20% p a	<u>984</u>
Total fair value of assets		20,661		19,008		17,466
Present value of liabilities		<u>(22,322)</u>		<u>(24,697)</u>		<u>(23,943)</u>
Gross pension deficit		( 1,661)		( 5,689)		( 6,477)
Deferred tax asset		<u>466</u>		<u>1,707</u>		<u>1,943</u>
Net pension deficit		<u>( 1,195)</u>		<u>( 3,982)</u>		<u>( 4,534)</u>
				<b>2007</b> <b>£'000</b>		<b>2006</b> <b>£'000</b>

#### Analysis of the amount charged to operating profit

Current service cost	54	73
Past service cost	-	-
Total operating charge	<u>54</u>	<u>73</u>

#### Analysis of the amount charged to other finance costs

Expected return on pension scheme assets	1,139	1,033
Interest on pension scheme liabilities	<u>(1,237)</u>	<u>(1,150)</u>
Net charge	<u>( 98)</u>	<u>( 117)</u>

#### Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

Actual return less expected return on pension scheme assets	192	783
Experience gains and losses on liabilities	844	-
Changes in assumptions underlying the present value of the scheme liabilities	<u>1,896</u>	<u>( 363)</u>
Actuarial gain recognised in STRGL	<u>2,932</u>	<u>( 420)</u>

## CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

### Notes to the Accounts

#### 22. Pensions [continued]

	2007 £'000	2006 £'000
<b>Movements in deficit during the year</b>		
Deficit in scheme at beginning of the year	(5,689)	(6,477)
Movement in year		
Current service cost	(131)	(157)
Contributions	1,325	642
Other finance costs	(98)	(117)
Actuarial gain	<u>2,932</u>	<u>420</u>
Deficit in scheme at end of the year	<u>(1,661)</u>	<u>(5,689)</u>

	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000
<b>History of experience gains and losses</b>					
Difference between the expected and actual return on the scheme assets	192	783	1,688	100	136
Percentage of scheme assets	1%	4%	10%	1%	1%
Experience gains and losses on scheme liabilities	844	Nil	Nil	(814)	Nil
Percentage of the present value of the scheme liabilities	4%	Nil	Nil	(4%)	Nil
Total amount recognised in statement of total recognised gains and losses	2,932	420	(1,925)	(1,528)	(1,190)
Percentage of the present value of the scheme liabilities	13%	2%	(8%)	(8%)	(7%)

The company also operates a group personal pension plan for those employees not in the Carrs Billington Agriculture Pension Scheme. The cost of contributions into the plan during the year ended 31st August 2007 was £185,327 (2006 £202,128).

#### 23. Related party transactions

Details of transactions with subsidiary undertakings of the ultimate parent undertaking, Edward Billington & Son Limited, are as follows

	Billington Agriculture Holdings Limited		Criddle & Co. Limited	
	2007 £	2006 £	2007 £	2006 £
Sales	-	-	96,142	80,305
Purchases	-	-	48,084,068	46,471,150
Management charges payable	149,000	150,666	-	-
Rent payable	26,499	26,499	-	-
Debtors	-	-	8,130	10,157
Creditors				
Loans	3,275,000	3,275,000	-	-
Other	-	335,881	3,189,136	3,628,567

## CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

### Notes to the Accounts

#### 23. Related party transactions [continued]

The ultimate parent undertaking Edward Billington & Son Limited, made a loan of £2 million to the company during the year. This amount remained outstanding at 31st August 2007 and is included in creditors falling due in less than one year. The loan is subject to interest at 1.25% over base rate, and is repayable on demand.

Billington Agriculture (Holdings) Limited, has a 49% interest in Carrs Billington Agriculture (Sales) Limited, the remainder of whose shares are owned by Carrs Milling Industries PLC.

Carrs Milling Industries Plc, its joint venture companies Bibby Agriculture Limited and Afgritech Limited, and five of its subsidiaries, Carrs Billington Agriculture (Sales) Limited, Carrs Agriculture Limited, Carrs Flour Mills Limited, Carrs Properties Limited and Carrs Engineering Limited entered into the following transactions with the company during the year and had outstanding balances as follows:

31st August 2007	Sales £'000	Purchases £'000	Management charges £'000	Creditors £'000	Debtors £'000
Carrs Milling Industries plc	-	14	-	1,230	-
Carrs Billington Agriculture (Sales) Ltd	60,962	896	277	105	5,415
Carrs Agriculture Limited	-	12	-	-	1
Carrs Flour Mills Limited	-	1	-	-	-
Carrs Engineering Limited	-	335	-	73	-
Carrs Properties Limited	-	17	-	-	-
Bibby Agriculture Limited	7,493	-	-	1	1,160
Afgritech Limited	320	234	-	29	23

The balance of £1,230,000 due to Carrs Milling Industries plc includes an interest free loan of £1,225,000 (2006 £1,225,000) for which there are no formal repayment terms agreed.

31st August 2006	Sales £'000	Purchases £'000	Management charges £'000	Creditors £'000	Debtors £'000
Carrs Milling Industries plc	-	15	-	1,228	-
Carrs Billington Agriculture (Sales) Ltd	58,170	556	382	( 119)	3,497
Carrs Agriculture Limited	145	-	-	-	1
Carrs Flour Mills Limited	-	8	-	-	2
Carrs Engineering Limited	-	260	-	100	-
Carrs Properties Limited	-	17	-	-	-
Bibby Agriculture Limited	6,602	22	-	81	878
Afgritech Limited	355	-	-	-	50

The amounts noted above are also applicable to the company.

#### 24. Ultimate parent undertaking

Billington Agriculture (Holdings) Limited, which owns 51% of the share capital of the company is the immediate parent undertaking.

The remainder of the company's shares are under the control of Carrs Milling Industries PLC.

The ultimate parent undertaking is Edward Billington & Son Limited, incorporated in England.

## CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

### Notes to the Accounts

#### 25. Reconciliation of operating profit to operating cashflows

	2007 £'000	2006 £'000
Operating Profit	1,916	1,343
Depreciation charge	1,454	1,333
Amortisation of goodwill	133	165
Profit on sale of fixed assets	(9)	( 21)
Restructuring costs	-	( 298)
Increase in stock	(425)	495
Increase in debtors	(1,445)	1,600
Decrease in creditors	( 827)	(1,315)
Decrease in provisions	(1,140)	(1,701)
Defined benefit pension schemes	(1,097)	( 368)
<b>Net cash outflow from operating activities</b>	<b>(1,440)</b>	<b>1,233</b>

#### 26. Analysis of changes in net debt

	2006 £'000	Cashflow £'000	Other non- cash changes £'000	2007 £'000
Cash in hand and at bank	1	-	-	1
Overdrafts	( 115)	(2,061)	-	(2,176)
	( 114)	(2,061)	-	(2,175)
Loans due within one year	( 500)	(2,000)	-	(2,500)
Loans due after one year	(6,250)	750	-	(5,500)
Finance leases	( 743)	211	-	( 532)
	(7,607)	(3,100)	-	(10,707)

#### 27. Reconciliation of net cash flow to movement in net debt

	2007 £'000	2006 £'000
Decrease in cash in the year	( 2,061)	2,019
Cash inflow from increase in debt and lease financing	( 1,039)	2,059
Movement in net debt on acquisition	-	200
<b>Movement in net debt in the year</b>	<b>( 3,100)</b>	<b>4,278</b>
Net debt at 1st September 2006	( 7,607)	(11,885)
<b>Net debt at 31st August 2007</b>	<b>(10,707)</b>	<b>( 7,607)</b>