

CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED

DIRECTORS' REPORT AND ACCOUNTS

for the year ended

31st August 2008

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 2008

The directors present their report and accounts for the year ended 31st August 2008.

Results, dividends and activities

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

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 £3,550,943 and sales of £92,324,432.
The directors do not recommend the payment of a dividend for the year.

Review of business and future developments

The directors are pleased with the financial performance of the Company. During the year feed volumes increased whilst mill running costs and overheads were tightly controlled, resulting in an improved operating profit. The prospects for next year look more challenging as energy and fuel costs increase whilst feed volumes are likely to decrease.

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 and cash flow risk associated with selling on credit and manages this through credit control procedures. The company uses forward contracts to purchase certain raw materials. The directors closely monitor current cost price movements in order to manage the risk.

Directors

The directors who served the company during the year and were in office at 31st August 2008 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.
17th December 2008

CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

Statement of Directors' Responsibilities for the year ended 31st August 2008

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 2008 on pages 4 to 21 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 2008 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

18th December 2008

CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

Consolidated Profit and Loss Account for the year ended 31st August 2008

	Notes	2008 £'000	2007 £'000
Turnover	2	92,324	68,904
Cost of sales		<u>77,800</u>	<u>57,652</u>
Gross profit		14,524	11,252
Sales and distribution costs		9,162	8,239
Administrative expenses		<u>1,467</u>	<u>1,097</u>
Operating Profit	3	3,895	1,916
Interest receivable and similar income	5	(185)	(5)
Interest payable and similar charges	6	<u>529</u>	<u>523</u>
Profit on ordinary activities before taxation		3,551	1,398
Taxation	7	<u>1,056</u>	<u>333</u>
Profit for the year	19	<u>2,495</u>	<u>1,065</u>

The turnover and operating profit are wholly attributable to continuing operations.

The notes on pages 8 to 21 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 2008

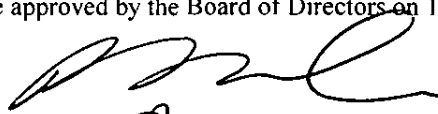

	2008	2007
	£'000	£'000
Profit for the year	2,495	1,065
Actuarial loss on net pension liability	(2,435)	2,932
Deferred tax associated with net pension liability	<u>682</u>	<u>(880)</u>
Total recognised gains and losses relating to the year	<u>742</u>	<u>3,117</u>

CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

Balance Sheets as at 31st August 2008

		Group		Company	
	Notes	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Fixed assets					
Intangible assets	8	648	781	648	781
Tangible assets	9	10,266	10,064	10,266	10,064
Investments	10	<u>-</u>	<u>-</u>	<u>3,421</u>	<u>3,421</u>
		10,914	10,845	14,335	14,266
Current assets					
Stock	11	2,276	1,640	2,276	1,640
Debtors	12	10,996	7,846	10,996	7,846
Cash at bank and in hand		<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
		13,273	9,487	13,273	9,487
Creditors					
Amounts falling due within one year	13	<u>12,620</u>	<u>10,545</u>	<u>15,792</u>	<u>13,717</u>
Net current assets (liabilities)		<u>653</u>	<u>(1,058)</u>	<u>(2,519)</u>	<u>(4,230)</u>
Total assets less current liabilities		11,567	9,787	11,816	10,036
Creditors					
Amounts falling due after more than one year	14	5,529	5,743	5,529	5,743
Provision for liabilities and charges	16	<u>855</u>	<u>311</u>	<u>855</u>	<u>311</u>
Net assets excluding pension liabilities		5,183	3,733	5,432	3,982
Pension liabilities	21	<u>1,903</u>	<u>1,195</u>	<u>1,903</u>	<u>1,195</u>
Net assets		<u>3,280</u>	<u>2,538</u>	<u>3,529</u>	<u>2,787</u>
Capital and reserves					
Called up share capital	18	500	500	500	500
Profit and loss account	19	<u>2,780</u>	<u>2,038</u>	<u>3,029</u>	<u>2,287</u>
Total shareholders' funds	19	<u>3,280</u>	<u>2,538</u>	<u>3,529</u>	<u>2,787</u>

The accounts were approved by the Board of Directors on 17th December 2008 and were signed on its behalf by:

 R. TOMLINSON)
 L.L.R. WHITELEY) Directors

The notes on pages 8 to 21 form part of these accounts.

CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

Consolidated Cash Flow Statement for the year ended 31st August 2008

	Notes	2008 £'000	2007 £'000
Net cash inflow from operating activities	24	757	(1,440)
Returns on investment and servicing of finance			
Interest received		185	5
Interest paid		(529)	(523)
		(344)	(518)
Taxation		355	362
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,677)	(1,522)
Proceeds from sale of tangible fixed assets		<u>97</u>	<u>18</u>
		(1,580)	(1,504)
Net cash outflow before financing		(812)	(3,100)
Financing			
Loan repayments		(500)	(750)
New finance leases		800	60
New loans		-	2,000
Capital element of finance lease repayments		(419)	(271)
Net cash outflow from financing		(119)	<u>1,039</u>
Decrease in cash in the year	26	(931)	<u>(2,061)</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 2008.

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 one class of business, being the manufacture and supply of compound animal feed within the United Kingdom.

3. Operating profit

	2008 £'000	2007 £'000
The operating profit for the year has been arrived at after:		
Charging		
Directors' emoluments (see note 4)	161	156
Depreciation	1,452	1,454
Amortisation	133	133
Operating lease charges		
- land and buildings	47	47
- motor vehicles	352	391
Auditors' remuneration		
- audit	12	12
- non-audit	11	6
Crediting		
Profit on disposal of fixed assets	74	9

4. Directors' emoluments and employment costs

Directors' emoluments

The aggregate amount of directors' emoluments, including contributions to pension schemes in respect of current service were:

	2008 £'000	2007 £'000
Remuneration (including benefits in kind)	145	140
Pension contributions	<u>16</u>	<u>16</u>
	161	156
	==	==

The above amounts are in respect of one director. All of the other 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.

CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

Notes to the Accounts

4. Directors' emoluments and employment costs [continued]

Employees	2008 £'000	2007 £'000
Total cost of employment:		
Wages and salaries	4,375	4,348
Social security costs	440	427
Other pension costs	<u>226</u>	<u>239</u>
	5,041	5,014

In addition to the pension costs stated above, a credit of £260,000 is included in the profit and loss account arising as a result of the decision that the defined benefit pension scheme detailed in note 21, ceased to accrue further benefits for its active members.

Average number of employees	2008 Number	2007 Number
Administration and management	8	14
Production	164	162
Sales	<u>5</u>	<u>5</u>
	177	181

5. Interest receivable and similar income

	2008 £'000	2007 £'000
Bank interest receivable	4	5
Other interest receivable	40	-
Net finance income on pension scheme (see note 21)	<u>141</u>	<u>-</u>
	185	5

6. Interest payable and similar charges

	2008 £'000	2007 £'000
Bank interest payable	336	282
Hire purchase interest	62	41
Group interest	131	102
Other finance charges	<u>-</u>	<u>98</u>
	529	523

CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

Notes to the Accounts

7. Taxation

	2008 £'000	2007 £'000
a. Analysis of charge for year		
Current tax:		
Charge for year	226	-
Adjustment in respect of previous year	(4)	-
	222	-
Deferred tax:		
Origination and reversal of timing difference	834	412
Adjustment in respect of previous year	-	(106)
Effect of reduction in tax rate on opening balance	-	27
	834	333
Tax charge on profit on ordinary activities	1,056	333
b. Factors affecting the tax charge for the year		
Tax on profit on ordinary activities at the averaged standard rate of corporation tax of 28% (2007 30%)	998	419
Effects of:		
Capital allowances in excess of depreciation	(187)	(225)
Other timing differences	(371)	(328)
Utilisation of tax losses	(256)	134
Adjustment to reflect effective tax rate	42	-
Adjustment in respect of previous year	(4)	-
	222	-

8. Intangible fixed assets

Group and company	Goodwill £'000
At 1st September 2007 and at 31st August 2008	1,065
Amortisation	
At 1st September 2007	284
Charge for the year	133
At 31st August 2008	417
Net book amount	
At 31st August 2008	648
At 31st August 2007	781

CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

Notes to the Accounts

9. Tangible fixed assets

Group and company	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1st September 2007	4,365	17,640	22,005
Additions	-	1,677	1,677
Disposals	-	(68)	(68)
At 31st August 2008	4,365	19,249	23,614
Depreciation			
At 1st September 2007	816	11,125	11,941
Charge for year	178	1,274	1,452
Disposals	-	(45)	(45)
At 31st August 2008	994	12,354	13,348
Net book amount			
At 31st August 2008	3,371	6,895	10,266
At 1st August 2007	3,549	6,515	10,064

The net book value of land and buildings includes £117,101(2007 £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 £1,623,005 (2007 £1,128,812).

The net book value of tangible fixed assets includes an amount of £618,240 (2007 £837,407) in respect of assets held under finance leases, and on which depreciation charged in the year was £188,240 (2007 £195,869).

10. Investments

Company	2008 £'000	2007 £'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.

11. Stocks

Group and company	2008 £'000	2007 £'000
Raw materials	1,434	1,124
Finished goods and goods for resale	842	516
	2,276	1,640

CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

Notes to the Accounts

12. Debtors

	2008 £'000	2007 £'000
Group and company		
Trade debtors	10,092	6,650
Other debtors	187	329
Prepayments and accrued income	456	374
Corporation tax recoverable	-	292
Consortium tax relief receivable	<u>261</u>	<u>201</u>
	10,996	7,846

13. Creditors - amounts falling due within one year

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Current instalments on loans	500	500	500	500
Bank overdraft	3,107	2,176	3,107	2,176
Trade creditors	1,279	1,348	1,279	1,348
Ultimate parent undertaking	2,025	2,039	2,025	2,039
Subsidiaries and fellow subsidiaries	3,816	3,110	6,988	6,282
Finance lease obligations	384	289	384	289
Other creditors	136	184	136	184
Corporation tax	226	-	226	-
Accruals and deferred income	<u>1,147</u>	<u>899</u>	<u>1,147</u>	<u>899</u>
	12,620	10,545	15,792	13,717

The company has given a debenture incorporating a fixed and floating charge over all the assets of the undertaking together with a cross guarantee with Carrs Billington Agriculture (Sales) Limited and Northern Feeds Solutions Limited as security for the collective bank facilities of these companies.

14. Creditors - amounts falling due after more than one year

	2008 £'000	2007 £'000
Group and company		
Bank loan	500	1,000
Ultimate parent undertaking	3,275	3,275
Other loan	1,225	1,225
Finance lease obligations	<u>529</u>	<u>243</u>
	5,529	5,743
Repayment of bank loan	2008 £'000	2007 £'000
In one year or less	500	500
Between one and two years	500	500
Between two and five years	<u>-</u>	<u>500</u>
	1,000	1,500

The bank loan is secured and is subject to a variable interest rate, being 7.27% at 31st August 2008.

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 22.

CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

Notes to the Accounts

15. Lease obligations

	2008		2007	
Group and company	£'000		£'000	
Finance leases				
Amounts falling due:				
Within one year			392	289
Within two to five years			<u>521</u>	<u>243</u>
			913	532
			==	==
	Land and buildings		Plant and machinery	
	2008	2007	2008	2007
Group and company	£'000	£'000	£'000	£'000
Leasing commitments				
Leases expiring:				
Within one year	-	-	24	13
Within two to five years	-	-	264	313
After five years	<u>47</u>	<u>47</u>	<u>-</u>	<u>-</u>
	47	47	288	326
	—	—	—	—

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

16. Provision for liabilities and charges

	2008	2007
Group & Company	£'000	£'000
Deferred Taxation		
Accelerated capital allowances	855	686
Losses and other deductions	<u>-</u>	<u>(375)</u>
	855	311
	==	==
At 1st September 2007	311	139
Profit and loss account charge for year	834	333
Pension liability - contributions and rate change movement	(409)	(362)
Prior year loss surrender	<u>119</u>	<u>201</u>
At 31st August 2008	855	311
	==	==

CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

Notes to the Accounts

17. Capital commitments

There were no capital commitments at 31st August 2008 (2007 £ Nil).

18. Share capital of Carrs Billington Agriculture (Operations) Limited

	Authorised		Allotted, called up and fully paid	
	2008 £'000	2007 £'000	2008 £'000	2007 £'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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

19. Reconciliation of movement in shareholders' funds	Share Capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
Group			
At 1st September 2007	500	2,038	2,538
Actuarial loss on net pension liability	-	(2,435)	(2,435)
Deferred tax associated with net pension liability	-	682	682
Profit for the year	<u>-</u>	<u>2,495</u>	<u>2,495</u>
At 31st August 2008	<u>500</u>	<u>2,780</u>	<u>3,280</u>
Company			
At 1st September 2007	500	2,287	2,787
Actuarial loss on net pension liability	-	(2,435)	(2,435)
Deferred tax associated with net pension liability	-	682	682
Profit for the year	<u>-</u>	<u>2,495</u>	<u>2,495</u>
At 31st August 2008	<u>500</u>	<u>3,029</u>	<u>3,529</u>

20. 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 £2,495,176 (2007 profit £1,064,747) which is dealt with in the accounts of Carrs Billington Agriculture (Operations) Limited.

CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

Notes to the Accounts

21. 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.

Contributions paid into the scheme during the year amounted to £1,084,256. Carrs Billington Agriculture (Sales) Limited, a related undertaking with agreed obligations in respect of employees who are members of the scheme, paid £15,000, being its share of the current service cost up to 30th November 2007.

In order to minimise the risk that the deficit increases in the future, it was decided that with effect from 1st December 2007, the scheme would cease to accrue further benefits for its active members. Alternative defined contribution arrangements have been made.

The company expects to contribute £575,000 to the scheme during the year to 31st August 2009.

The actuarial valuation was updated to 31st August 2008 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 as at 31st August 2008 the fair value of the assets, the present value of the FRS17 liabilities and the surplus or deficit of assets over the FRS17 liabilities (which equals the gross pension deficit), which is included in the balance sheet net of deferred taxation.

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Total fair value of assets	19,254	20,661	19,008	17,466	14,820
Present value of liabilities	(21,896)	(22,322)	(24,697)	(23,943)	(19,677)
Gross pension deficit	(2,642)	(1,661)	(5,689)	(6,477)	(4,857)
Deferred tax asset	<u>739</u>	<u>466</u>	<u>1,707</u>	<u>1,943</u>	<u>1,457</u>
Net pension deficit	<u>(1,903)</u>	<u>(1,195)</u>	<u>(3,982)</u>	<u>(4,534)</u>	<u>(3,400)</u>

The percentages that each major asset category represents of the fair value of the total scheme assets were as shown below:

	2008	2007
Equities	72%	69%
Bonds	27%	27%
Cash	<u>1%</u>	<u>4%</u>
	<u>100%</u>	<u>100%</u>

CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

Notes to the Accounts

21. Pensions [continued]

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in an assumed rate of 6.74% detailed below together with other assumptions.

	2008 £'000	
Actual return on scheme assets	(1,605)	
Weighted average assumptions used to determine benefit obligations at:	2008	2007
Discount rate	6.20%	5.80%
Rate of compensation increase	4.20%	3.80%

Weighted average assumptions used to determine net pension cost for the year ended 31st August 2008:

Discount rate	5.80%
Expected long-term return on scheme assets	6.74%
Rate of compensation increase	3.80%

Weighted average life expectancy for mortality tables used to determine benefit obligations at 31st August 2008:

	Male	Female
Member age 65 (current life expectancy)	22.0	24.8
Member age 45 (life expectancy at age 65)	23.1	25.9

Changes in the present value of the defined benefit obligations are as follows:	2008 £'000	2007 £'000
Benefit obligation at beginning of year	22,322	24,698
Current service cost	27	131
Interest cost	1,259	1,237
Scheme participants' contributions	20	83
Actuarial gains	(570)	(2,740)
Curtailments	(256)	-
Benefits paid	(906)	(1,087)
Benefit obligation at end of year	21,896	22,322
Analysis of defined benefit obligation		
Schemes that are wholly or partly funded	21,896	22,322

CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

Notes to the Accounts

21. Pensions [continued]

Change in the fair value of scheme assets are as follows:	2008 £'000	2007 £'000
Fair value of scheme assets at beginning of year	20,661	19,008
Expected return on scheme assets	1,400	1,139
Actuarial losses	(3,005)	192
Employer contribution	1,084	1,326
Member contributions	20	83
Benefits paid	(906)	(1,087)
Fair value of scheme assets at end of year	19,254	20,661

Analysis of the amount credited to operating profit

Current service cost	(12)	(54)
Past service cost	-	-
Curtailment credit	256	-
Total operating credit (charge) in profit and loss account	244	(54)

Analysis of the amount credited/(charged) to interest receivable/(interest payable)

Expected return on pension scheme assets	1,400	1,139
Interest on pension scheme liabilities	(1,259)	(1,237)
Net credit (charge) in profit and loss account	141	(98)

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

Actuarial loss immediately recognised	2,435	(2,932)
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The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses (STRGL) since the implementation of FRS17 amounts to a loss of £3,726,000 at 31st August 2008.

History of experience gains and losses	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Difference between the expected and actual return on the scheme assets:	(3,005)	192	783	1,688	100
Percentage of scheme assets	(16%)	1%	4%	10%	1%
Experience gains and losses on scheme liabilities	Nil	844	Nil	Nil	(814)
Percentage of the present value of the scheme liabilities	Nil	4%	Nil	Nil	(4%)

The company also operates a group personal pension scheme for those employees not in the Carrs Billington Agriculture Pension Scheme. The cost of contributions into the scheme during the year ended 31st August 2008 was £214,237 (2007 £185,327).

CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

Notes to the Accounts

22. Related party transactions

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

	Edward Billington & Son Limited		Billington Agriculture Holdings Limited		Criddle & Co. Limited	
	2008	2007	2008	2007	2008	2007
	£'000	£'000	£'000	£'000	£'000	£'000
Sales	-	-	-	-	94	96
Purchases	-	-	-	-	69,514	48,084
Management charges payable	160	-	-	149	-	-
Rent payable	28	-	-	26	-	-
Debtors	-	-	-	-	3	8
Creditors:						
Loans	5,275	2,000	-	3,275	-	-
Other	54	-	-	-	3,889	3,189

The loan of £2 million made to the company by Edward Billington & Son Limited during the year ended 31st August 2007 remained outstanding at 31st August 2008 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.

Edward Billington & Son Limited, has a 49% interest in Carrs Billington Agriculture (Sales) Limited, the remainder of whose shares are owned by Carr's Milling Industries Plc.

Carr's 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, Carr's Flour Mills Limited, Carr's Engineering Limited and Carrs Properties Limited entered into the following transactions with the company during the year and had outstanding balances as follows:

31st August 2008	Sales £'000	Purchases £'000	Management charges £'000	Creditors £'000	Debtors £'000
Carr's Milling Industries plc	-	14	-	1,225	-
Carrs Billington Agriculture (Sales) Ltd	81,611	1,144	-	45	9,334
Carrs Agriculture Limited	-	6	-	1	-
Carr's Flour Mills Limited	-	-	-	-	1
Carrs Engineering Limited	-	318	-	45	-
Carrs Properties Limited	-	18	-	-	-
Bibby Agriculture Limited	10,338	-	-	1	586
Afgritech Limited	7	410	-	28	22

The balance of £1,225,000 due to Carr's Milling Industries plc represents an interest free loan of £1,225,000 (2007 £1,225,000) for which there are no formal repayment terms agreed.

CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

Notes to the Accounts

22. Related party transactions [continued]

31st August 2007	Sales £'000	Purchases £'000	Management charges £'000	Creditors £'000	Debtors £'000
Carr's Milling Industries plc	-	14	-	1,230	-
Carrs Billington Agriculture (Sales) Ltd	60,962	896	277	105	5,415
Carrs Agriculture Limited	-	12	-	-	1
Carr's 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 amounts noted above are also applicable to the company.

23. Ultimate parent undertaking

The ultimate parent undertaking is Edward Billington & Son Limited, incorporated in England. The equitable ownership of 51% of the share capital was transferred to Edward Billington & Son Limited from Billington Agriculture (Holdings) Limited during the year.

The remainder of the company's shares are under the control of Carr's Milling Industries Plc.

24. Reconciliation of operating profit to operating cashflows

	2008 £'000	2007 £'000
Operating Profit	3,895	1,916
Depreciation charge	1,452	1,454
Amortisation of goodwill	133	133
Profit on sale of fixed assets	(74)	(9)
Increase in stock	(636)	(425)
Increase in debtors	(3,382)	(1,445)
Increase in creditors	823	(827)
Decrease in provisions	-	(1,140)
Defined benefit pension schemes	(1,454)	(1,097)
Net cash inflow from operating activities	757	(1,440)

CARRS BILLINGTON AGRICULTURE (OPERATIONS) LIMITED AND SUBSIDIARIES

Notes to the Accounts

25. Analysis of changes in net debt

	2007 £'000	Cashflow £'000	Other non- cash changes £'000	2008 £'000
Cash in hand and at bank	1	-	-	1
Overdrafts	(2,176)	(931)	-	(3,107)
	(2,175)	(931)	-	(3,106)
Loans due within one year	(2,500)	-	-	(2,500)
Loans due after one year	(5,500)	500	-	(5,000)
Finance leases	(532)	(381)	-	(913)
	(10,707)	(812)	-	(11,519)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

26. Reconciliation of net cash flow to movement in net debt

	2008 £'000	2007 £'000
Decrease in cash in the year	(931)	(2,061)
Cash inflow from increase in debt and lease financing	<u>119</u>	<u>(1,039)</u>
Movement in net debt in the year	(812)	(3,100)
Net debt at 1st September 2007	<u>(10,707)</u>	<u>(7,607)</u>
Net debt at 31st August 2008	<u>(11,519)</u>	<u>(10,707)</u>