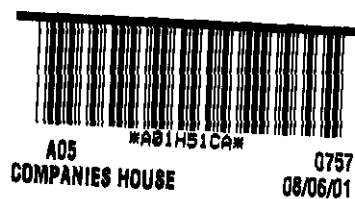


Carrs Billington Agriculture Limited
Annual report
for the period ended 1 September 2000

Registered Number 3574122



Carrs Billington Agriculture Limited
Annual report
for the period ended 1 September 2000
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Carrs Billington Agriculture Limited

Directors' report for the period ended 1 September 2000

The directors present their report and the audited financial statements for the period ended 1 September 2000.

Principal activity

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

Review of business and future developments

The company changed its accounting reference date and has prepared accounts for the sixteen months to 1 September 2000.

The directors are satisfied with progress of the company during this period. Sales volumes exceeded projected demand with the planned capital expenditure at the mills assisting to meet this increase.

Carrs Billington Agriculture Limited acquired a controlling interest in AF plc on 5 June 2000, and on 11 August 2000 issued statutory notices to the dissentient shareholders to compulsorily acquire the remaining issued share capital. On 5 June 2000 the trade, assets and liabilities of AF plc were 'hived-up' into Carrs Billington Agriculture Limited.

Following a strategic review of the business, the directors decided to cease production at the Preston mill in July 2000 and relocate the Preston based head office. The trade was transferred to the other mills operated by the company. The cost of closure of the Preston mill and the head office are included in results for the period ended 1 September 2000 and further details on the acquisition are included in note 20 to the financial statements.

This acquisition follows the company's strategy to become the leading low cost ruminant feed manufacturer in the North West.

Results and dividends

The results for the period are set out on page 4. No dividends have been paid nor are proposed.

Directors and their interests

The directors who held office during the period are shown below:

C N C Holmes (Chairman)

L L R Whiteley

P Steeples

R Tomlinson

S H Clarke (appointed 9 August 2000)

None of the directors held any shares in the company.

Carrs Billington Agriculture Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 1 September 2000 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

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

By order of the Board



R Wood
Secretary

13 November 2000

Carrs Billington Agriculture Limited

Auditors' report to the members of Carrs Billington Agriculture Limited

We have audited the financial statements on pages 4 to 27 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and group at 1 September 2000 and of the loss and cash flows of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
13 November 2000

Carrs Billington Agriculture Limited

Profit and loss account for the period ended 1 September 2000

	Note	Group 16 months ended 1 September 2000 £'000	Company 11 months ended 30 April 1999 £'000
Turnover	1		
Continuing operations		24,553	14,790
Acquisitions		5,158	-
		29,711	14,790
Cost of sales	2	(24,955)	(12,133)
Gross profit		4,756	2,657
Distribution costs	2	(4,353)	(2,447)
Administrative expenses	2		
- normal	2	(802)	(223)
- exceptional	2	(864)	-
		(1,666)	(223)
Operating loss	3		
Continuing operations		(54)	(13)
Acquisitions		(1,209)	-
		(1,263)	(13)
Interest receivable and similar income	6	85	13
Interest payable and similar charges	7	(56)	-
Loss on ordinary activities before taxation		(1,234)	-
Tax on loss on ordinary activities	8	300	-
Loss for the financial period	19	(934)	-

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

There are no differences between the loss on ordinary activities before taxation and the retained loss for the period stated above and their historical cost equivalents.

Carrs Billington Agriculture Limited

Group balance sheet as at 1 September 2000

	Note	1 September 2000 £'000	1 September 2000 £'000
Fixed assets			
Negative goodwill	10		(945)
Intangible assets	10		-
Tangible assets	11		3,086
Investments	12		45
			2,186
Current assets			
Stock	13	900	
Assets awaiting disposal	14	1,490	
Debtors	15	4,140	
Cash at bank and in hand		42	
		6,572	
Creditors: amounts falling due within one year	16	(8,715)	
Net current liabilities			(2,143)
Total assets less current liabilities			43
Provisions for liabilities and charges	17		(477)
Net liabilities			(434)
Capital and reserves			
Called up equity share capital	18		500
Profit and loss account	19		(934)
Equity shareholders' funds	19		(434)

The financial statements on pages 4 to 27 were approved by the board of directors on 13 November 2000 and were signed on its behalf by:

R Tomlinson
Director

L L R Whiteley
Director

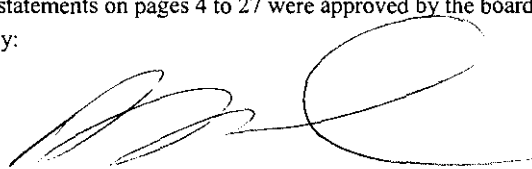
Carrs Billington Agriculture Limited

Company balance sheet as at 1 September 2000

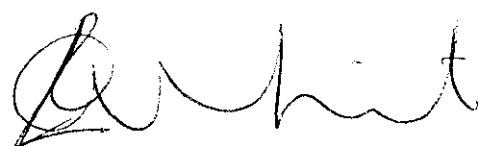
	Note	1 September 2000 £'000	1 September 2000 £'000	30 April 1999 £'000	30 April 1999 £'000
Fixed assets					
Negative goodwill	10		(1,208)		-
Intangible assets	10		-		-
Tangible assets	11		3,086		317
Investments	12		3,396		-
			5,274		317
Current assets					
Stock	13	900		233	
Assets awaiting disposal	14	1,490		-	
Debtors	15	4,140		1,481	
Cash at bank and in hand		42		1	
		6,572		1,715	
Creditors: amounts falling due within one year	16	(11,817)		(1,832)	
Net current liabilities			(5,245)		(117)
Total assets less current liabilities			29		200
Provisions for liabilities and charges	17		(477)		-
Net (liabilities)/assets			(448)		200
Capital and reserves					
Called up equity share capital	18		500		200
Profit and loss account	19		(948)		-
Equity shareholders' funds	19		(448)		200

The financial statements on pages 4 to 27 were approved by the board of directors on 13 November 2000 and were signed on its behalf by:

R Tomlinson
Director



L L R Whiteley
Director



Carrs Billington Agriculture Limited

Cash flow statement for the period ended 1 September 2000

		Group 16 months ended 1 September	Company 11 months ended 30 April
	Note	2000 £'000	1999 £'000
Net cash (outflow)/inflow from operating activities	21	(437)	81
Returns on investment and servicing of finance			
Interest received		83	13
Interest paid		(26)	-
Net cash inflow from returns on investment and servicing of finance		57	13
Taxation		-	-
Capital expenditure			
Purchase of tangible fixed assets		(386)	(410)
Sale of intangible fixed assets		110	-
Net cash outflow from capital expenditure		(276)	(410)
Acquisitions			
Purchase of subsidiary undertakings		(1,113)	-
Net overdrafts acquired with subsidiary undertakings		(3,232)	-
Net cash outflow for acquisitions		(4,345)	-
Net cash outflow before financing		(5,001)	(316)
Financing			
Issue of ordinary share capital		300	200
Loans received		1,100	-
Net cash inflow from financing		1,400	200
Decrease in net cash	22	(3,601)	(116)

Carrs Billington Agriculture Limited

Accounting policies

Presentation of information and comparatives

Carrs Billington Agriculture Limited first acquired subsidiary undertakings during the period ended 1 September 2000. Consequently a group profit and loss account, balance sheet and cash flow statement has first been prepared for the period ended 1 September 2000, there being no group in the prior year.

Carrs Billington Agriculture Limited company information in respect of the prior period ended 30 April 1999 has been included in the financial statements.

Accounting convention

These financial statements 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 1 September 2000. Results of subsidiary undertakings acquired during the period are accounted for according to the effective date of acquisition.

Goodwill

Goodwill is calculated as the difference between fair value of the consideration and fair value of net assets acquired. Positive goodwill is capitalised on the balance sheet and amortised over its estimated useful life but not exceeding 20 years. Negative goodwill is recorded on the balance sheet. Negative goodwill up to the fair value of the non-monetary assets acquired is amortised to the profit and loss account in the periods in which the non-monetary assets are recovered, whether through depreciation or sale.

Investments

Investments are carried at cost less any provision for diminution in value.

Turnover

Turnover which excludes value added tax, represents the invoiced value of goods and services supplied.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value on a straight line basis, of each asset over its expected useful life as follows:

Freehold land and buildings	30 years
Plant and machinery	5 - 10 years
Vehicles	5 years from the date of the vehicle's registration
Fixtures and fittings	10 - 20 years
Computers	3 - 5 years

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.

Leases

Rentals paid under operating lease are charged to the profit and loss account on a straight line basis over the term of the lease.

Carrs Billington Agriculture Limited

Deferred taxation

Provision is made for deferred taxation on the liability method in respect of timing differences only to the extent that a liability is expected to arise in the foreseeable future.

Pension costs

Pension contributions to defined benefit schemes operated by related parties are charged in accordance with the terms agreed with the related parties operating those schemes.

Following the acquisition of AF plc on 5 June 2000 the company became the principal employer in accordance with the rules of the AF plc pension scheme and a Deed of Amendment was signed on 12 July 2000. Pension contributions to this defined benefit scheme are charged against profits using actuarial valuation methods intended to spread the pension cost systematically over the average service periods of the current employees in the scheme.

Carrs Billington Agriculture Limited

Notes to the financial statements for the period ended 1 September 2000

1 Turnover

All turnover relates to operations in the United Kingdom, and relates to one class of business – the manufacture and supply of agricultural goods.

2 Cost of sales and operating expenses

Exceptional item

In July 2000 the company ceased production at the Preston mill and relocated the Preston based head office. This resulted in exceptional costs of £864,000, mainly relating to redundancy and severance costs. The taxation credit for this exceptional item is £276,000

Amounts relating to acquisitions

The total figures for continuing operations in the sixteen months ended 1 September 2000 as noted on page 4, include the following amounts relating to acquisitions: cost of sales £4,146,000, distribution costs £941,000, normal administrative expenses of £416,000 and exceptional administrative expenses of £864,000. There were no acquisitions in the prior period.

3 Operating loss

Operating loss is stated after charging/(crediting)

	Group 16 months ended 1 September 2000 £'000	Company 11 months ended 30 April 1999 £'000
Wages and salaries	2,264	867
Social security costs	118	25
Other pension costs	58	4
Staff costs	2,440	896

Carrs Billington Agriculture Limited

Operating loss is stated after charging/(crediting)

	Group 16 months ended 1 September 2000 £'000	Company 11 months ended 30 April 1999 £'000
Depreciation of owned tangible fixed assets	297	93
Operating lease charges		
- plant and machinery	1,209	567
- vehicles	120	-
Amortisation of negative goodwill	(10)	-
Auditors' remuneration for audit services		
- audit services	18	12
- non-audit services	6	4

The group audit fees above include £18,000 which relates to the parent company.

4 Directors' emoluments

	Group 16 months ended 1 September 2000 £'000	Company 11 months ended 30 April 1999 £'000
Aggregate emoluments	6	-
Sums paid to related parties for directors' services	54	33
The number of directors to whom retirement benefits are accruing under a defined benefit pension scheme	1	-

5 Employee information

The average monthly number of persons (including directors) employed during the period was:

By activity	Group 16 months ended 1 September 2000	Company 11 months ended 30 April 1999
Administration and management	26	4
Production	62	45
	88	49

Carrs Billington Agriculture Limited

6 Interest receivable and similar income

	Group 16 months ended 1 September 2000	Company 11 months ended 30 April 1999
	£'000	£'000
Bank interest receivable	34	13
Other	51	-
	85	13

7 Interest payable and similar charges

	Group 16 months ended 1 September 2000	Company 11 months ended 30 April 1999
	£'000	£'000
Interest payable on overdrafts and bank loans	56	-

8 Tax on loss on ordinary activities

	Group 16 months ended 1 September 2000	Company 11 months ended 30 April 1999
	£'000	£'000
Taxation on loss for the period		
UK corporation tax at 30% (1999 - 31%)	-	-
Consortium tax relief receivable	(300)	-

Consortium tax relief is receivable from related parties as disclosed in note 28.

9 Holding company profit and loss account

As permitted by Section 230 of the Companies Act 1985 the company has not produced a profit and loss account for the period ended 1 September 2000. The loss after tax of the company dealt with in the consolidated profit and loss account is £948,000.

The company's profit and loss account for the period ended 30 April 1999 is presented on page 4.

Carrs Billington Agriculture Limited

10 Intangible fixed assets

(a) Group

	Negative goodwill £'000	Feed products brand £'000
Cost		
At 1 May 1999	-	-
Acquisition (note 20)	(955)	110
Disposals	-	(110)
At 1 September 2000	(955)	-
Amortisation		
At 1 May 1999	-	-
Credit for the period	10	-
At 1 September 2000	10	-
Net book amount		
At 1 September 2000	(945)	-
At 30 April 1999	-	-

The negative goodwill arising on the acquisition of AF plc is being amortised over the period in which the fixed assets acquired as part of the acquisition of AF plc are recovered, whether through depreciation or sale.

The feed products brand was acquired as part of the acquisition disclosed in note 20 and subsequently sold in the period.

Carrs Billington Agriculture Limited

(b) Company

	Negative goodwill £'000	Feed products brand £'000
Cost		
At 1 May 1999	-	-
Acquisition (note 20)	(1,218)	110
Disposals	-	(110)
At 1 September 2000	(1,218)	-
Amortisation		
At 1 May 1999	-	-
Credit for the period	10	-
At 1 September 2000	10	-
Net book amount		
At 1 September 2000	(1,208)	-
At 30 April 1999	-	-

The negative goodwill arising on the acquisition by the company of the trade, assets and liabilities of AF plc, which is referred to as the 'hive-up' in note 20, is being amortised over the period in which the fixed assets so acquired are recovered, whether through depreciation or sale.

The feed products brand was acquired as part of the 'hive-up' disclosed in note 20 and subsequently sold in the period.

Carrs Billington Agriculture Limited

11 Tangible fixed assets

Group and company

	Freehold land and buildings £'000	Plant and machinery £'000	Vehicles £'000	Fixtures, fittings and computers £'000	Total £'000
Cost					
At 1 May 1999	-	-	410	-	410
Additions	-	287	37	62	386
Acquisitions (note 20)	2,971	831	34	44	3,880
Transfer to assets awaiting disposal (note 14)	(1,000)	(200)	-	-	(1,200)
At 1 September 2000	1,971	918	481	106	3,476
Depreciation					
At 1 May 1999	-	-	93	-	93
Charge for period	16	50	228	3	297
At 1 September 2000	16	50	321	3	390
Net book amount					
At 1 September 2000	1,955	868	160	103	3,086
At 30 April 1999	-	-	317	-	317

12 Investments

(a) Group

	Trade investments £'000
Cost	
At 1 May 1999	-
Acquisition (note 20)	45
At 1 September 2000	45

Carrs Billington Agriculture Limited

(b) Company

	Investments in group undertakings £'000	Trade investments £'000	Total £'000
Cost			
At 1 May 1999	-	-	-
Additions	1,113	-	1,113
Arising upon acquisition (note 20)	2,238	45	2,283
At 1 September 2000	3,351	45	3,396

13 Stocks

	Group and Company 1 September 2000 £'000	Company 30 April 1999 £'000
Raw materials	370	175
Finished goods and goods for resale	530	58
	900	233

14 Assets awaiting disposal

Group and company

A vacant property that was previously used as a retail site was acquired as part of the acquisition detailed in note 20. At 1 September 2000, the vacant retail property remained carried in assets awaiting disposal at the provisional fair value of £290,000 assigned to this asset at acquisition.

Following Carrs Billington Agriculture Limited's decision to close the Preston head office and mill, post acquisition these assets were transferred from fixed to current assets at their book cost of £1,200,000. This book cost reflects the assigned provisional fair value at acquisition. They remain carried at this value at 1 September 2000.

Carrs Billington Agriculture Limited

15 Debtors

	Group and Company 1 September 2000	Company 30 April 1999
	£'000	£'000
Trade debtors	3,023	1,360
Other debtors	517	54
Consortium tax relief receivable	300	-
Prepayments and accrued income	300	67
	4,140	1,481

Consortium tax relief is receivable from related parties as explained in note 28.

16 Creditors: amounts falling due within one year

	Group 1 September 2000	Company 1 September 2000	Company 30 April 1999
	£'000	£'000	£'000
Bank overdraft	3,759	3,759	117
Loans	1,100	1,100	-
Trade creditors	2,705	2,705	1,551
Other taxation and social security payable	44	44	-
Other creditors	545	545	-
Amounts owed to group undertakings	-	3,102	-
Accruals and deferred income	562	562	164
	8,715	11,817	1,832

The bank overdraft carries interest at 1% over base rate and is jointly and severely guaranteed by Carr's Milling Industries PLC and Edward Billington and Son Limited, who are related parties. The overdraft is repayable on demand and is secured by a charge over the Penrith Mill.

Loans are due to related parties as explained in note 28 and are unsecured, interest free and repayable on demand.

Carrs Billington Agriculture Limited

17 Provisions for liabilities and charges

Group and Company

	Provision for costs in respect of reorganisation of trade £'000	Disputes with suppliers and termination of contracts £'000	Total £'000
At 1 May 1999	-	-	-
Arising on acquisition (note 20)	-	209	209
Charged to the profit and loss account	864	-	864
Utilised during the period	(596)	-	(596)
At 1 September 2000	268	209	477

Provisions for costs of reorganisation of trade relates to the closure costs of Preston mill and head office as explained in note 2. The mill was shut down prior to the period end and the head office closed at the period end. The remaining provision at 1 September 2000 is expected to be utilised within the year, the majority within a few months of the period end.

Provision for disputes with suppliers and termination of contracts relates to specific claims from a few parties. The claims are quantified and the majority expected to be concluded within the year.

There is no provision (1999 - £Nil) for deferred taxation. The unprovided amount is £Nil as a deferred tax asset exists at the period end (1999 - £14,000 unprovided liability).

Carrs Billington Agriculture Limited

18 Called up equity share capital

	Group and Company 1 September 2000 £'000	Company 30 April 1999 £'000
Authorised		
250,000 ordinary A shares of £1 each	250	250
250,000 ordinary B shares of £1 each	250	250
	500	500
Allotted and fully paid		
250,000 ordinary A shares of £1 each	250	100
250,000 ordinary B shares of £1 each	250	100
	500	200

During the period 150,000 Ordinary A and 150,000 Ordinary B shares were issued for cash at their nominal value. Each class of share carries voting rights and rights to dividends equal to all other classes of share.

19 Reconciliation of movements in equity shareholders' funds

Group

	Share capital £'000	Profit and loss account £'000	Total equity shareholders' funds £'000
At 1 May 1999	200	-	200
New share capital issued	300	-	300
Retained loss for the period	-	(934)	(934)
At 1 September 2000	500	(934)	(434)

Carrs Billington Agriculture Limited

Company

	Share capital	Profit and loss account	Total equity shareholders' funds
	£'000	£'000	£'000
At 1 May 1999	200	-	200
New share capital issued	300	-	300
Retained loss for the period	-	(948)	(948)
At 1 September 2000	500	(948)	(448)

Carrs Billington Agriculture Limited

20 Acquisition

On 5 June 2000, Carrs Billington Agriculture Limited purchased AF plc for a total consideration of £1,113,000. This purchase has been accounted for as an acquisition.

The total adjustments required to the book values of the assets and liabilities of AF plc in order to present the net assets at fair values in accordance with group accounting policies are set out in the table below:

AF plc acquisition	Book value £'000	Revaluation £'000	Provisional fair values £'000
Intangible fixed assets	-	110	110
Tangible fixed assets	6,385	(2,505)	3,880
Investments	844	1,439	2,283
Assets awaiting disposal	485	-	485
Stock	1,137	(25)	1,112
Debtors	5,119	(917)	4,202
Creditors	(6,608)	45	(6,563)
Provisions	-	(209)	(209)
Cash	3	-	3
Overdrafts	(3,235)	-	(3,235)
Net assets acquired	4,130	(2,062)	2,068
Negative goodwill			(955)
Consideration			1,113
Consideration satisfied by:			
Cash			850
Acquisition costs			263
			1,113

The book value of the assets and liabilities have been taken from the management accounts of AF plc at the date of acquisition. The fair value adjustments contain some provisional amounts, which will be finalised in the 2001 financial statements when the detailed acquisition investigation has been completed.

Revaluation adjustments in respect of tangible fixed assets comprise the valuations of certain freehold properties and the write-off of obsolete plant and machinery. Intangible asset relates to a feed products brand acquired with AF plc that was subsequently sold realising net proceeds of £110,000. The carrying value of investments in subsidiaries was adjusted by £1,439,000 to reflect the shareholders' funds of these companies.

Carrs Billington Agriculture Limited

Revaluation of stock reflects the write down to estimated realisable value. The revaluation adjustment to debtors includes removal of the previous pension prepayment that arose from SSAP 24 accounting in previous years and establishing the surplus based on the last actuarial valuation (1 April 1998) with allowance made for the investment, salary experience and benefit increases of the plan to April 2000.

Provisions were established for disputes with suppliers and termination of contracts. The provision established included £45,000 that had previously been included as part of creditors by AF plc, which was transferred to classification within provisions to arrive at the provisional fair values.

From the date of acquisition to 1 September 2000 the acquisition contributed the following to the group and company; £5,158,000 to turnover, £1,209,000 to loss before interest and £1,259,000 to loss after interest. The acquisition contributed to the group and company; £502,000 to net operating cash flows, paid £26,000 in respect of interest and received £50,000 in respect of interest.

In its last financial year to 30 November 1999, AF plc made a loss after tax of £3,749,000. For the period since that date to the date of acquisition AF plc management accounts show:

	£'000
Turnover	21,073
Operating loss	(691)
Loss before taxation	(4,130)
Taxation	29
Loss attributable to shareholders	(4,101)
Total recognised losses for the period	(4,305)

Subsequent to the above acquisition, also on 5 June 2000, the trade, assets and liabilities of AF plc were 'hived-up' into Carrs Billington Agriculture Limited. Throughout these accounts the term 'hive-up' has been used to refer to the transfer of the trade, assets and liabilities of AF plc to Carrs Billington Agriculture Limited at market value. Carrs Billington Agriculture Limited acquired the trade, assets and liabilities of AF plc for £850,000. With the exception of the consideration the details are consistent with information set out in this note's paragraphs above. For this 'hive-up' which has also been accounted for as an acquisition, cash consideration of £850,000 was paid and there were no acquisition costs. This generated negative goodwill on 'hive up' of £1,218,000 as shown below.

	£'000
Net assets acquired	2,068
Negative goodwill	(1,218)
Cash consideration	850

Carrs Billington Agriculture Limited

21 Reconciliation of operating loss to net cash inflow from operating activities

	Group	Company
	16 months ended 1 September 2000	11 months ended 30 April 1999
	£'000	£'000
Operating loss	(1,263)	(13)
Depreciation charge	297	93
Amortisation of negative goodwill	(10)	-
Decrease/(increase) in stock	445	(233)
Decrease in assets held for resale	195	-
Decrease/(increase) in debtors	1,843	(1,481)
(Decrease)/increase in creditors	(2,213)	1,715
Increase in provisions	269	-
Net cash (outflow)/inflow from operating activities	(437)	81

22 Reconciliation of net cash flow to movement in net debt

	Group	Company
	16 months ended 1 September 2000	11 months ended 30 April 1999
	£'000	£'000
Decrease in cash in the period	(3,601)	(116)
New loans received	(1,100)	-
Change in net debt (note 23)	(4,701)	(116)
Opening net debt	(116)	-
Closing net debt	(4,817)	(116)

Carrs Billington Agriculture Limited

23 Analysis of changes in net debt

	At 1 May 1999 £'000	Cash flow £'000	At 1 September 2000 £'000
Cash in hand and at bank	1	41	42
Overdrafts	(117)	(3,642) (3,601)	(3,759)
Loans due within one year	-	(1,100)	(1,100)
	(116)	(4,701)	(4,817)

24 Cash flow relating to exceptional item

Operating cash flows include an outflow of £596,000 which relates to the exceptional item incurred during the closure of the Preston mill and head office explained in note 2.

25 Operating lease commitments

At 1 September 2000 annual commitments under non-cancellable operating leases were as follows:

	Feed mill	Vehicles	Group 1 September 2000 Total £'000	Company 30 April 1999 Feed mill £'000
Lease expiring:	£'000	£'000	£'000	£'000
Within one year	-	132	132	-
Within two to five years	-	126	126	-
After five years	929	-	929	914
	929	258	1,187	914

Carrs Billington Agriculture Limited

26 Capital commitments

	Group 1 September 2000 £'000	Company 1 September 2000 £'000	Company 30 April 1999 £'000
Contracts placed for future capital expenditure not provided in the financial statements	32	32	-

27 Pension commitments

Following the acquisition of AF plc on 5 June 2000 the company became the principal employer of the AF plc Retirement Benefit Scheme, a funded defined benefit scheme providing benefits for its employees based on final pensionable pay. The scheme commenced on 6 April 1997 and resulted primarily from the merger of the AF plc Retirement Benefits Plan ("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 projected unit method for members with RBP benefits and SPS contracted-out benefits and the attained age method for members with SPS contract-out benefits.

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 6 April 1998 and amounted to £14,709,000. The valuation of the assets of the AF plc Pension Scheme represent on average 125% of the 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 1.5% and a rate of increase in present and future pensions of 3%. The pension charge for the period was £58,000 (1999 £nil). The balance sheet of Carrs Billington Agriculture Limited includes a prepayment in respect of the scheme of £50,000 (1999: £968,000).

In accordance with the rules of the AF plc Pension Scheme any company which succeeds to the business of the Principal Employer may agree with the Principal Employer to assume the position of Principal Employer. Carrs Billington Agriculture Limited wished to become the Principal Employer and the Deed of Amendment was signed on 12 July 2000.

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28 Related party transactions

In accordance with the provisions of Financial Reporting Standard 8 "Related Party Disclosures" details of transactions with subsidiary undertakings are not disclosed.

Other related party transactions are as follows:

During the period the company sold compound animal feed and haulage to Billington Agriculture Limited totalling £15,197,000 (1999 - £9,374,000), to Carrs Agriculture Limited £9,264,000 (1999 - £5,440,000), and to Criddle and Company Limited £175,000 (1999 - £nil).

The company purchased raw materials and services during the period from Criddle and Company Limited amounting to £19,576,000 (1999 - £8,620,000), from Billington Agriculture Limited of £982,000 (1999 - £451,000), from Carrs Agriculture Limited of £224,000 (1999 - £nil), from Carrs Engineering Limited of £355,000 (1999 - £451,000) and from Carr's Flour Mills Limited £7,000 (1999 - £nil). The company incurred operating lease charges for the use of the feed mills of £1,209,000 (1999 - £567,000) from Billington Agriculture Limited.

At 1 September 2000, trade debtors included £238,000 (1999 - £574,000) due from Carrs Agriculture Limited, £516,000 (1999 - £673,000) due from Billington Agriculture Limited and £66,000 (1999 - £nil) due from Criddle and Company Limited.

Debtors also includes Consortium tax relief receivable from the Edward and Son Limited group of £150,000, from Carrs Agriculture Limited of £125,000 and from Carr's Flour Mills Limited of £25,000.

Creditors at 1 September 2000 included £1,081,000 (1999 - £580,000) payable to Billington Agriculture Limited, £451,000 (1999 - £479,000) payable to Criddle and Company Limited, £35,000 (1999 - £nil) payable to Carrs Agriculture Limited, £38,000 (1999 - £2,000) payable to Carrs Engineering Limited and £7,000 (1999 - £nil) payable to Carr's Flour Mills Limited.

Loans payable at 1 September 2000 included £550,000 (1999 - £nil), payable to Billington Agriculture Holdings Limited and £550,000 (1999 - £nil) payable to Carr's Milling Industries PLC.

The companies noted above are related parties of Carrs Billington Agriculture Limited. The amounts noted above for the company are also applicable for the group.

29 Principal subsidiary undertakings

The company held 100% of AF plc's ordinary £1 shares at 1 September 2000. AF plc has been included in the consolidated accounts from its effective acquisition date. AF plc is registered in England and was a supplier of agricultural goods and services until 5 June 2000 when its trade and business assets and liabilities were transferred to the parent company. The company has ceased to trade from 5 June 2000.

The company holds 100% of the shares of a number of dormant companies, which are registered in England.

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30 Subsequent events

In September 2000, the Company obtained the remaining £1 ordinary shares in AF plc.

The rationalisation of the production facilities of the recently acquired AF plc resulted in the closure of the Preston Mill. This property and another unused property were sold in October 2000.

31 Support

Billington Agriculture Holdings Limited and Carr's Milling Industries PLC, the company's two shareholders have confirmed their intention to support the operations of the company for the foreseeable future.