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**EDWARD BILLINGTON & SON LIMITED**  
**DIRECTORS' REPORT AND ACCOUNTS**

**for the year ended**

**31st August 2005**



# **EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES**

## **Report of the Directors for the year ended 31st August 2005**

The directors submit their report to the shareholders together with the audited accounts for the year ended 31st August 2005.

### **Profits, dividends and retentions**

The results for the year are shown on the Consolidated Profit and Loss Account on page 6.

The loss on ordinary activities of the group, after exceptional charges and before taxation and minority interests, amounts to £88,714 (sixteen months ended 31st August 2004 - profit £22,484,236).

Following the sale of the Billington Food Group Limited in August 2004, Edward Billington and Son Limited returned £9,356,120 to its shareholders by the purchase of its own shares and special dividends.

After provision for dividends of 27% (sixteen months ended 31st August 2004 36.5%), special dividends totalling 100% and other reserve movements, shareholders' funds have decreased by £10,172,586 to £29,043,793.

### **Review of the principal activities of the business**

The principal activities of the group during the year were the manufacture, merchanting and distribution of food and the manufacture and merchanting of animal feed and other agricultural products.

The group's turnover was £131,853,642 (sixteen months ended 31st August 2004 £174,130,438).

English Provender Company Limited continued to grow its business whilst building a major extension to its factory and warehouse at Newbury to accommodate the requirements of Suffolk Foods Limited, which relocated in October 2005.

Suffolk Foods Limited operated as a separate business until 31st August 2005 and increased sales. Its trade and assets were hived up into English Provender Company Limited on 1st September 2005 and the factory at Martelsham was closed in October 2005.

Classic Couverture Limited returned to profit during the year.

Wholesome Sweeteners Incorporated continued to perform excellently with major sales and profits growth and is now a major contributor to the group's results.

Carrs Billington Agriculture acquired the trade and assets of W & J Pye Limited (in administration) in July 2005 as explained in note 34 to the accounts. A mill closure programme was then undertaken to rationalise production capacity and reduce manufacturing costs. A provision for the closure costs involved has been made in these accounts and is shown as an exceptional item. The market for animal feeds was difficult during the year and, if anything, has worsened still further in autumn 2005 and early 2006.

Criddle & Co. Limited performed well although not at last year's exceptional level.

In summary the group continued to progress with its major corporate restructure following the sale of BFG last year. The integration of Suffolk Foods Limited and English Provender Company Limited was completed successfully and the prospects for the combined business are very encouraging. Carrs Billington Agriculture made a substantial acquisition shortly before the period end and faces significant challenges in successfully integrating the W&J Pye business in a difficult trading environment.

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Report of the Directors for the year ended 31st August 2005

### Employees

The group's employment policy encourages the provision of employment opportunities for disabled persons.

The group has continued to follow the requirements of the Health & Safety at Work Act with concern for the welfare of its employees.

### Share capital

Following the exceptional profit reported in the accounts for the period ended 31st August 2004, the Directors recommended that part of the proceeds should be applied to facilitate an offer by the company, to purchase its own shares.

At the Annual General Meeting held on 22nd December 2004, a special resolution was approved, amending the Articles of Association, to enable the company to purchase its own shares.

At the same meeting a special resolution was approved, authorising the purchase by the company of 241,400 3.16% convertible first preferred ordinary shares of £1 each, previously held by 3i plc. These were subsequently acquired during the year.

As authorised by a special resolution, approved at an Extraordinary General Meeting held on 21st June 2005, the company purchased 174,527 of its own ordinary shares of £1 each and 218,758 of its own 3% second preferred ordinary shares of £1 each. The aggregate consideration paid for all purchases of own shares during the year amounted to £7,138,147.

### Directors and directors' interests

The members of the Board of Directors at 31st August 2005, together with details of their interests in the share capital of Edward Billington & Son Limited are shown below:

	Ordinary shares of £1 each		Second preferred ordinary shares of £1 each	
	2005	2004	2005	2004
E.W. Billington	35,201	35,201	7,856	9,856
M.R. Cashin	2,475	5,125	19,244	19,244
D. Marshall	-	1,450	4,974	5,974
R. Merrick	150	150	7,621	9,871
R.R. Toomey	17,659	20,159	3,730	3,730
L.L.R. Whiteley	80,976	80,976	21,668	21,668

In addition, Mr. E.W. Billington and Mr. L.L.R. Whiteley have an interest in a further 492,283 ordinary shares and 121,811 second preferred ordinary shares in Edward Billington & Son Limited, owned by a company in which they and certain members of their families are shareholders.

The holding of second preferred ordinary shares includes beneficial holdings held in the name of the trustees of the Edward Billington & Son Limited Employee Share Ownership Plan.

Mr. R. Merrick resigned as a director on 16th September 2005.

Mr. E.W. Billington and Mr. L.L.R. Whiteley retire by rotation and, being eligible, offer themselves for re-election.

## **EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES**

### **Report of the Directors for the year ended 31st August 2005**

#### **Charitable donations**

During the year the group contributed £4,240 for charitable purposes (sixteen months ended 31st August 2004 £6,558).


#### **Insurance of directors**

The company provides insurance for its directors in respect of their duties as directors of the group.

#### **Auditors**

Mitchell Charlesworth are willing to continue in office as auditors and a resolution for their re-appointment was approved at the Annual General Meeting.

By Order of the Board



DAVID MARSHALL

Secretary

Cunard Building,  
Liverpool L3 1EL.

13th January 2006

## **EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES**

### **Statement of Directors' Responsibilities for the year ended 31st August 2005**

The directors are required under company law to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for the period then ended.

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.

# Mitchell Charlesworth

Chartered Accountants

5 Temple Square · Temple Street · Liverpool · L2 5RH

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EDWARD BILLINGTON & SON LIMITED

We have audited the accounts of Edward Billington & Son Limited for the year ended 31st August 2005 which are set out on pages 6 to 36. These accounts have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 10 and 11.

This report is made solely to the company's members, 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 auditors

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.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 transactions with the company 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 United Kingdom 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 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 of the state of affairs of the company and the group as at 31st August 2005 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



MITCHELL CHARLESWORTH  
Registered Auditor

13th January 2006

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Consolidated Profit and Loss Account for the year ended 31st August 2005

	Notes	Year ended 31st August 2005 £'000	16 months ended 31st August 2004 £'000
Turnover	2	131,854	174,130
Cost of sales	3	<u>105,408</u>	<u>136,828</u>
Gross profit		26,446	37,302
Net operating expenses	3	<u>24,521</u>	<u>31,766</u>
Operating profit	4	1,925	5,536
Share of operating results of associates	6	530	950
Exceptional items	7	<u>( 2,280)</u>	<u>17,091</u>
Profit on ordinary activities before interest		175	23,577
Net interest paid	8	<u>264</u>	<u>1,093</u>
Loss on ordinary activities before taxation		( 89)	22,484
Taxation - credit	9	<u>10</u>	<u>( 411)</u>
Loss on ordinary activities after taxation		( 79)	22,073
Minority interests	22.2	<u>29</u>	<u>( 685)</u>
Loss attributable to the members of the holding company		( 50)	21,388
Dividends	10	<u>2,715</u>	<u>886</u>
Loss for the year	24	<u>( 2,765)</u>	<u>20,502</u>

The notes on pages 10 to 36 form part of these accounts.

Continuing operations in the year ended 31st August 2005 includes turnover of £5,491,000 and operating losses of £277,000, in respect of acquisitions.



The analysis between continuing and discontinued operations for the comparative figures is included in note 3.

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Balance Sheets 31st August 2005

		Group		Company	
	Notes	2005 £'000	2004 £'000	2005 £'000	2004 £'000
<b>Fixed assets</b>					
Tangible assets	11	29,045	18,873	786	853
Intangible assets	12	4,425	4,572	-	-
Investments	13	<u>2,281</u>	<u>2,133</u>	<u>11,933</u>	<u>1,297</u>
		35,751	25,578	12,719	2,150
<b>Current assets</b>					
Tangible assets	14	1,724	-	-	-
Intangible assets	15	1,051	-	-	-
Stocks	16	15,097	9,634	-	-
Debtors	17	22,733	20,205	15,275	42,047
Cash at bank and in hand		<u>873</u>	<u>12,737</u>	<u>95</u>	<u>12,297</u>
		41,478	42,576	15,370	54,344
<b>Creditors</b>					
Amounts falling due within one year	18	<u>36,343</u>	<u>23,836</u>	<u>9,397</u>	<u>27,758</u>
<b>Net current assets</b>		5,135	18,740	5,973	26,586
<b>Total assets less current liabilities</b>		40,886	44,318	18,692	28,736
<b>Creditors</b>					
Amounts falling due after more than one year	19	7,012	2,177	-	5
Provision for liabilities and charges	22	<u>4,830</u>	<u>2,925</u>	-	-
		29,044	39,216	18,692	28,731
<b>Capital and reserves</b>					
Called up share capital	23	1,871	2,505	1,871	2,505
Share premium account	24	87	87	87	87
Revaluation reserve	24	171	174	101	104
Capital reserves	24	2,766	2,132	634	-
Other reserves	24	( 153)	67	( 153)	67
Profit and loss account	24	<u>24,302</u>	<u>34,251</u>	<u>16,152</u>	<u>25,968</u>
<b>Total shareholders' funds</b>	25	29,044	39,216	18,692	28,731

Approved by the Board of Directors  
on 13th January 2006

LLOYD WHITELEY

MARK CASHIN

)  
) Directors  
)

The notes on pages 10 to 36 form part of these accounts.



# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Statement of total recognised gains and losses for the year ended 31st August 2005

	Year ended 31st August 2005 £'000	16 months ended 31st August 2004 £'000
Loss for the year before dividend	( 50)	21,388
Exchange and other adjustments	( 49)	( 40)
Total recognised gains and losses relating to the year	( 99)	21,348
Prior year adjustment	-	( 204)
Total recognised gains and losses recognised since last annual report	( 99)	21,144

## Note of historical cost profits and losses for the year ended 31st August 2005

	Year ended 31st August 2005 £'000	16 months ended 31st August 2004 £'000
Reported loss on ordinary activities before taxation	( 89)	22,484
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	3	3
Historical cost loss on ordinary activities before taxation	( 86)	22,487
Historical cost loss for the year after taxation, minority interests and dividends	( 2,762)	20,505

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Consolidated Cash Flow Statement for the year ended 31st August 2005

	Year ended 31st August 2005		16 months ended 31st August 2004	
	£'000	£'000	£'000	£'000
<b>Cash flow from operating activities (note 31)</b>		<b>8,441</b>		<b>5,167</b>
<b>Returns on investments and servicing of finance</b>				
Interest received	377		25	
Interest paid	( 444)		( 931)	
Finance lease interest	( 88)		( 96)	
Dividends paid to minority interests	( 277)		—	
		( 432)		( 1,002)
<b>Taxation</b>		( 726)		( 1,532)
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets	( 6,318)		( 6,657)	
Disposal of tangible fixed assets	109		324	
Subscription in unquoted investment	( 10)		( 20)	
Disposal of unquoted investment	30		—	
		( 6,189)		( 6,353)
<b>Acquisitions and disposals</b>				
Purchase of subsidiary undertaking	—		( 4,053)	
Additional investment in subsidiary undertaking	( 63)		—	
Disposal of subsidiary undertaking	—		27,521	
Acquisition of business (note 34)	(15,385)		—	
Net cash of subsidiaries acquired and disposed	—		( 337)	
Deferred consideration on disposal of businesses	—		434	
		(15,448)		23,565
<b>Equity dividends paid</b>		( 2,871)		( 640)
<b>Cash outflow before financing</b>		(17,225)		19,205
<b>Financing</b>				
Loan repayments	( 182)		( 1,494)	
New loans	7,200		—	
Bills of exchange	—		( 4,500)	
New finance leases	770		432	
Capital element of finance lease repayments	( 810)		( 912)	
Purchase of own shares including Employee Benefit Trust	( 7,358)		—	
		( 380)		( 6,474)
<b>Decrease in cash in the year (note 32)</b>		(17,605)		12,731

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 1. Accounting policies

#### Accounting basis

The group accounts are prepared under the historical cost convention as modified by the revaluation of certain fixed assets referred to in note 11.

#### Basis of consolidation

The consolidated accounts, which have been prepared in accordance with applicable Accounting Standards, incorporate the accounts of Edward Billington & Son Limited and subsidiaries.

#### Goodwill

Goodwill on acquisitions is capitalised as an intangible asset and amortised over an estimated useful life of not more than ten years.

Negative goodwill is also capitalised on the Balance Sheet. Negative goodwill up to the value of non-monetary assets acquired is amortised to the Profit and Loss Account over the period which those assets are recovered, whether through depreciation or sale.

#### Turnover

Turnover represents the aggregate amount receivable for goods and services rendered together with commissions receivable.

#### Depreciation

Depreciation of tangible fixed assets has been calculated to write off the cost or valuation of the assets over their estimated useful lives at the following rates:

Freehold and long leasehold buildings	2% to 20%
Short leasehold buildings	10% to 33%
Plant and machinery	10% to 50%
Motor vehicles	20% to 25%

#### Revaluation reserve

The reserve represents the surplus on revaluation of tangible fixed assets and is being credited back to Profit and Loss Account at the same rate as the underlying assets are depreciated.

The group's policy is to carry all assets at historical cost, except for tangible fixed assets which are included in the Balance Sheet at a valuation existing on 30th April 2000 when the group implemented FRS15 for the first time.

#### Capital based grants

Capital based grants are credited to deferred income in the period in which they are received. The grants are written back to Profit and Loss Account over the same period as the underlying assets are depreciated.

#### Stocks and open transactions

Stocks have been valued at the lower of cost or net realisable value. In respect of finished goods, cost includes all production overheads and an attributable proportion of indirect overhead expenses.

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 1. Accounting policies [continued]

#### **Pension schemes**

Contributions in respect of defined contribution pension schemes are charged to Profit and Loss Account when they become payable. Contributions in respect of defined benefit pension schemes are based on a percentage of pensionable salaries of employees as agreed by the scheme actuary. The cost of providing defined benefit pensions is charged to Profit and Loss Account over the periods benefiting from the services of employees.

#### **Employee benefit trusts**

The group operates an Employee Benefit Trust in order to reward and encourage its staff. The company made an initial contribution of £158,764 to the Trust in 1992. At 31st August 2005 the total funds held by the Trustees, amounted to £387,398. In accordance with UITF Abstract 32, Employee Benefit Trusts and Other Intermediate Payment Arrangements, the funds are held for the future economic benefit of the group and the assets and liabilities of the Employee Benefit Trust are included on its Balance Sheet.

The surplus of funds over the initial contribution is included within "Other Reserves". In accordance with UITF 38, the company's own shares held by the Trustees are shown as a deduction from other reserves in shareholders' funds, until such time as they vest unconditionally with employees.

At 31st August 2005 a second Employee Benefit Trust was in place. Payments due to this Employee Benefit Trust are charged to Profit and Loss Account in the period that the benefits have accrued to individual employees and directors.

In accordance with UITF Abstract 32, Employee Benefit Trusts and Other Intermediate Payments Arrangements, the company does not include the assets and liabilities of this Employee Benefit Trust on its Balance Sheet. The company considers that it does not retain any future economic benefit from the assets of this Employee Benefit Trust, nor does it have control of the rights or other access to those future economic benefits.

#### **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 future 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.

#### **Foreign currencies**

Assets, liabilities and results of overseas operations are converted into sterling at the rate of exchange ruling at the Balance Sheet date with any currency adjustment taken directly to reserves. Other exchange differences are reflected in the results for the year.

#### **Leased assets**

Assets obtained under finance leases are capitalised in the Balance Sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to Profit and Loss Account over the period of the lease. Rental payments under operating leases are charged to Profit and Loss Account as incurred.

Rentals receivable on operating leases are credited to Profit and Loss Account as they accrue.

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 2. Turnover

	Year ended 31st August 2005 £'000	16 months ended 31st August 2004 £'000
Manufacture and merchanting of foodstuffs:		
Home	110,530	146,401
Overseas	<u>18,542</u>	<u>23,007</u>
	129,072	169,408
Travel and other:		
Home	<u>2,782</u>	<u>4,722</u>
Group turnover	<u>131,854</u>	<u>174,130</u>

### 3. Operating costs

#### Year ended 31st August 2005

	Acquisitions £'000	Continuing Operations £'000	Discontinued operations £'000	Total £'000
Turnover	5,491	126,363	-	131,854
Cost of sales	4,609	100,799	-	105,408
Net operating expenses				
Sales and distribution costs	998	9,242	-	10,240
Administration expenses	<u>161</u>	<u>14,120</u>	-	<u>14,281</u>
	1,159	23,362	-	24,521
Operating profit	( 277)	2,202	-	1,925

#### 16 months ended 31st August 2004

Turnover	-	134,358	39,772	174,130
Cost of sales	-	108,741	28,087	136,828
Net operating expenses				
Sales and distribution costs	-	8,880	3,197	12,077
Administration expenses	-	<u>16,156</u>	<u>3,533</u>	<u>19,689</u>
	-	25,036	6,730	31,766
Operating profit	-	581	4,955	5,536

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 4. Operating profit

The operating profit for the year has been arrived at after:

	Year ended 31st August 2005 £'000	16 months ended 31st August 2004 £'000
<b>Charging</b>		
Directors' emoluments (see note 5) (comparative figure includes exceptional charge)	918	3,259
Auditors' remuneration - audit	56	55
- non-audit	84	60
Operating lease rentals	1,371	1,702
Depreciation	3,226	3,393
Amortisation of goodwill	817	740
<b>Crediting</b>		
Investment grants	45	62
Surplus on disposal of tangible fixed assets	17	47

### 5. Directors' emoluments and employment costs

The aggregate amount of directors' emoluments, including profit sharing bonuses and contributions to pension scheme in respect of current service were:

	Year ended 31st August 2005 £'000	16 months ended 31st August 2004 £'000
Management remuneration (including benefits in kind)	579	2,805
Profit sharing bonuses	168	286
Pension scheme contributions	171	168
	<u>918</u>	<u>3,259</u>

Included in pension scheme contributions are amounts paid to defined contribution schemes totalling £34,966 (Sixteen months ended 31st August 2004 £6,297). The number of directors who were members of a defined contribution scheme was 6 (2004 - 6) and the number who were members of a defined benefit scheme was 6 (2004 - 6).

The emoluments of the highest paid director were as follows:

	Year ended 31st August 2005 £'000	16 months ended 31st August 2004 £'000
Aggregate emoluments, excluding pension contributions	175	903
Company pension contributions to a defined contribution scheme	23	1

The highest paid director is a member of the Edward Billington & Son Limited Retirement Benefits Scheme, which provides defined benefits, further details of which are given in note 28. The contributions are based on the provision of a pension of a maximum of 2/3rds final salary at the group's normal retirement age.

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

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

Employees	Year ended 31st August 2005 £'000	16 months ended 31st August 2004 £'000
Total cost of employment:		
Wages and salaries	15,930	18,568
Social security costs	1,468	1,527
Other pension costs	<u>1,608</u>	<u>2,014</u>
	<u>19,006</u>	<u>22,109</u>

Average number of employees	Year ended 31st August 2005 Number	16 months ended 31st August 2004 Number
Management and administration	151	116
Selling and distribution	28	48
Direct labour and production	<u>392</u>	<u>334</u>
	<u>571</u>	<u>498</u>

### 6. Share of operating results of associates

	Year ended 31st August 2005 £'000	16 months ended 31st August 2004 £'000
Share of operating profit	<u>530</u>	<u>950</u>

### 7. Exceptional items

	Year ended 31st August 2005 £'000	16 months ended 31st August 2004 £'000
Receipt of deferred consideration previously provided against	-	( 334)
Profit on disposal of subsidiary undertaking	-	(18,717)
Costs of restructuring foods division	473	1,960
Costs of restructuring agriculture division	<u>1,807</u>	<u>-</u>
	<u>2,280</u>	<u>(17,091)</u>

The exceptional items represent the costs of restructuring activities in both the foods and agriculture divisions. Included within those amounts are impairment charges of £625,000 and a credit for the amortisation of negative goodwill amounting to £625,000.

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 8. Net interest paid

	Year ended 31st August 2005 £'000	16 months ended 31st August 2004 £'000
<b>Interest paid</b>		
Bank interest	298	864
Loan interest	137	24
Finance leases	88	96
Other interest	<u>1</u>	<u>3</u>
	524	987
<b>Interest received</b>	<u>377</u>	<u>25</u>
	147	962
<b>Associated undertakings</b>		
Interest paid	125	133
Interest received	<u>( 8)</u>	<u>( 2)</u>
	264	1,093
	—	—

### 9. Taxation - credit

	Year ended 31st August 2005 £'000	16 months ended 31st August 2004 £'000
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#### 9.1 Analysis of credit for year

Current tax:		
U.K. corporation tax on loss for the year		
Group companies	(162)	122
Associated undertakings	176	253
Foreign taxation	586	438
Adjustment in respect of previous period	<u>( 50)</u>	<u>( 17)</u>
Total current tax	550	796
Deferred tax:		
Origination and reversal of timing differences	<u>(560)</u>	<u>(385)</u>
Tax credit on loss on ordinary activities	<u>( 10)</u>	<u>411</u>
	—	—



# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 9. Taxation [continued]

	Year ended 31st August 2005 £'000	16 months ended 31st August 2004 £'000
<b>9.2 Factors affecting the current tax charge for the year</b>		
Tax arising on profit on ordinary activities at the standard rate of corporation tax of 30% (2004 30%)	( 27)	6,745
Effects of:		
Expenses not deductible for tax purposes	288	257
Capital allowances in excess of depreciation charge	( 532)	53
Negative goodwill amortisation not taxable	( 223)	( 29)
Other timing differences	( 226)	320
Higher tax rates on overseas earnings	136	75
Adjustment in respect of previous period	( 50)	( 17)
Unrelieved losses	1,184	-
Profit on disposal of subsidiary undertaking	-	(6,608)
	<b>550</b>	<b>796</b>

### 10. Dividends of Edward Billington & Son Limited

		Year ended 31st August 2005 £'000		16 months ended 31st August 2004 £'000
1st preferred ordinary		4		65
2nd preferred ordinary				
Special - paid 01.04.2005	50.0%	323	-	-
Special - paid 18.04.2005	50.0%	323	-	-
Interim - paid 28.09.2005	10.2%	44	10.2%	66
Interim	-	-	17.2%	111
Proposed final - payable 24.02.2006	16.8%	72	9.1%	59
Waivers		( 52)		( 5)
	127%	710	36.5%	231
Ordinary shares				
Special - paid 01.04.2005	50.0%	808	-	-
Special - paid 18.04.2005	50.0%	808	-	-
Interim - paid 28.09.2005	10.2%	147	10.2%	165
Interim	-	-	17.2%	278
Proposed final - payable 24.02.2006	16.8%	242	9.1%	147
Waivers		( 4)		-
	127%	2,001	36.5%	590
<b>Total dividends</b>		<b>2,715</b>		<b>886</b>

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 11. Tangible fixed assets

Group Cost or valuation	Land and Buildings £'000	Plant £'000	Total £'000
At 31st August 2004	7,210	33,000	40,210
Additions	6,547	9,292	15,839
Disposals	-	( 408)	( 408)
Transfer to current assets	( 1,887)	( 1,375)	( 3,262)
At 31st August 2005	11,870	40,509	52,379
At valuation 30th April 1983	135	320	455
30th April 1991	500	1,500	2,000
30th April 1992	225	-	225
17th August 1995	200	195	395
30th April 1997	250	-	250
At cost	10,560	38,494	49,054
	11,870	40,509	52,379
<b>Depreciation</b>			
At 31st August 2004	2,208	19,129	21,337
Amounts provided	338	2,888	3,226
Impairment	-	625	625
Released on disposals	-	( 316)	( 316)
Transfer to current assets	( 396)	( 1,142)	( 1,538)
At 31st August 2005	2,150	21,184	23,334
<b>Net book value</b>			
At 31st August 2005	9,720	19,325	29,045
At 31st August 2004	5,002	13,871	18,873

The net book value of land and buildings includes £117,201 (2004 £117,201) of long-leasehold property and £5,019,386 (2004 £2,818,378) of short-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 £1,879,937 (2004 £1,038,040).

The net book value of tangible fixed assets includes an amount of £2,058,093 (2004 £1,738,036) in respect of assets held under finance leases, and on which depreciation and impairment charged in the year was £452,133 (sixteen months ended 31st August 2004 £397,811).

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 11. Tangible fixed assets [continued]

Company Cost or valuation	Land and Buildings £'000	Plant £'000	Total £'000
At 31st August 2004	589	709	1,298
Additions	-	162	162
Disposals	-	(247)	(247)
At 31st August 2005	589	624	1,213
At valuation 30th April 1992	225	-	225
30th April 1997	250	-	250
At cost	114	624	738
	589	624	1,213
<b>Depreciation</b>			
At 31st August 2004	105	340	445
Amounts provided	22	125	147
Released on disposals	-	(165)	(165)
At 31st August 2005	127	300	427
<b>Net book value</b>			
At 31st August 2005	462	324	786
At 31st August 2004	484	369	853

The net book value of land and buildings includes £20,839 (2004 £38,255) in respect of short leasehold property, the remainder being in respect of freehold land and buildings.

Plant includes motor vehicles having a net book value of £261,937 (2004 £288,307).

The net book value of tangible fixed assets includes an amount of £36,008 (2004 £81,350) in respect of assets held under finance leases, and on which depreciation charged in the year was £28,096 (sixteen months ended 31st August 2004 £38,557).

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 12. Intangible fixed assets

Group Cost	Positive Goodwill £'000	Negative Goodwill £'000	Total £'000
At 31st August 2004	8,981	(2,528)	6,453
Additions	393	( 997)	( 604)
Disposals	( 59)	-	( 59)
Transfer to current assets	<u>-</u>	<u>1,666</u>	<u>1,666</u>
At 31st August 2005	<u>9,315</u>	<u>(1,859)</u>	<u>7,456</u>
<b>Amortisation</b>			
At 31st August 2004	3,022	(1,141)	1,881
Amounts provided	937	( 745)	192
Disposals	( 59)	-	( 59)
Transfer to current assets	<u>-</u>	<u>1,017</u>	<u>1,017</u>
At 31st August 2005	<u>3,900</u>	<u>( 869)</u>	<u>3,031</u>
<b>Net book value</b>			
At 31st August 2005	<u>5,415</u>	<u>( 990)</u>	<u>4,425</u>
At 31st August 2004	<u>5,959</u>	<u>(1,387)</u>	<u>4,572</u>

### 13. Investments

Group Cost	Unquoted £'000	Associated undertakings £'000	Total £'000
At 31st August 2004	294	1,839	2,133
Movements in year:			
Additions	10	-	10
Disposals	( 33)	-	( 33)
Associated undertakings:			
Share of results	-	223	223
Acquisitions in the year	<u>-</u>	<u>( 52)</u>	<u>( 52)</u>
At 31st August 2005	<u>271</u>	<u>2,010</u>	<u>2,281</u>

#### Unquoted

The directors do not consider the valuation of the unquoted investments to be materially less than cost.

#### Associated undertakings

The share of associated undertakings' results represent the group's share of retained profits in Carrs Billington Agriculture (Sales) Limited and Vitamin Pet Foods Limited.

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 13. Investments [continued]

Company Cost	Unquoted £'000	Associated undertakings £'000	Subsidiary undertakings £'000	Total £'000
At 31st August 2004	20	4	1,273	1,297
Movement in year:				
Disposals	-	-	( 396)	( 396)
Group transfers	-	-	<u>11,032</u>	<u>11,032</u>
At 31st August 2005	20	4	11,909	11,933
	-	-	-	-

### 14. Tangible current assets

The acquisition of the trade and assets of W. & J. Pye Limited (in administration) and the subsequent restructure of the agriculture division resulted in a number of sites being held for disposal at 31st August 2005. The freehold land and buildings together with plant and machinery of these mills have been the subject of an impairment review and are reflected as current assets (see note 11).

### 15. Intangible current assets

Group Cost	Positive Goodwill £'000	Negative Goodwill £'000	Total £'000
At 1st September 2004	-	-	-
Additions	1,700	-	1,700
Transfer from fixed assets	-	( 1,666)	( 1,666)
At 31st August 2005	1,700	( 1,666)	34
<b>Amortisation</b>			
At 1st September 2004	-	-	-
Transfer from fixed assets	-	<u>1,017</u>	<u>1,017</u>
At 31st August 2005	-	1,017	1,017
<b>Net book amount</b>			
At 31st August 2005	1,700	( 649)	1,051
At 31st August 2004	-	-	-

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 16. Stocks

	2005	2004
Group	£'000	£'000
Raw materials	4,344	2,775
Goods for resale	<u>10,753</u>	<u>6,859</u>
	<u>15,097</u>	<u>9,634</u>

There were no stocks held by Edward Billington & Son Limited.

### 17. Debtors

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Trade debtors	11,555	9,937	-	-
Prepayments and accrued income	2,996	2,299	53	83
Other taxes	343	517	-	-
Subsidiary undertakings	-	-	13,853	41,285
Associated undertakings	6,448	6,364	-	-
Other debtors	881	815	372	215
Corporation tax recoverable	510	273	242	-
Deferred tax asset (see note 22.1)	<u>-</u>	<u>-</u>	<u>755</u>	<u>464</u>
	<u>22,733</u>	<u>20,205</u>	<u>15,275</u>	<u>42,047</u>

Included within group prepayments and accrued income is £671,077 (2004 £820,373) in respect of the Carrs Billington Agriculture Pension Scheme (see note 28). On implementing FRS17 in the accounts for the year ended 31st August 2006 this amount will be written off as part of a prior period adjustment.

As detailed in note 30, the associated undertakings debtor includes £1,225,000 which will be repaid after more than one year.

### 18. Creditors – amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Current instalments on loans	2,492	177	-	56
Bank overdrafts	9,586	3,836	-	-
Trade creditors	14,133	11,370	123	21
Other creditors	1,692	500	1,030	156
Accruals and deferred income	6,665	6,225	1,645	2,411
Other taxes and social security costs	635	428	565	341
Finance lease obligations	646	650	10	51
Subsidiary undertakings	-	-	5,530	24,072
Proposed dividend	<u>494</u>	<u>650</u>	<u>494</u>	<u>650</u>
	<u>36,343</u>	<u>23,836</u>	<u>9,397</u>	<u>27,758</u>

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 19. Creditors – amounts falling due after more than one year

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Bank loans	4,818	115	-	-
Other loan	1,225	1,225	-	-
Accruals and deferred income	109	141	-	-
Finance lease obligations	<u>860</u>	<u>696</u>	<u>-</u>	<u>5</u>
	<u>7,012</u>	<u>2,177</u>	<u>-</u>	<u>5</u>
Repayment of bank loans:				
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
In one year or less	2,492	177	-	56
Between one and two years	1,020	115	-	-
Between two and five years	3,250	-	-	-
After five years	<u>548</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>7,310</u>	<u>292</u>	<u>-</u>	<u>56</u>

The outstanding bank loans are secured and are subject to variable interest rates, being between 5.35% and 6.25% at 31st August 2005. Details of the other loan are given in note 30.

### 20. Lease obligations

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
<b>Finance leases</b>				
Amounts falling due:				
Within one year	646	650	10	51
Within two to five years	<u>860</u>	<u>696</u>	<u>-</u>	<u>5</u>
	<u>1,506</u>	<u>1,346</u>	<u>10</u>	<u>56</u>

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 20. Lease obligations [continued]

Operating lease commitments	Land and buildings		Plant and machinery	
	2005	2004	2005	2004
Group	£'000	£'000	£'000	£'000
Leases expiring:				
Within one year	-	-	80	32
Within two to five years	234	184	316	258
After five years	<u>896</u>	<u>666</u>	<u>198</u>	<u>-</u>
	<u>1,130</u>	<u>850</u>	<u>594</u>	<u>290</u>

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

Included above are annual rental commitments of £102,000 (2004 £102,000) relating to Edward Billington & Son Limited in respect of commitments for land and buildings expiring within two to five years.

### 21. Capital commitments

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Contracted for but not provided in the accounts	111	23	Nil	Nil
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

### 22. Provision for liabilities and charges

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
22.1 - Deferred taxation	286	468	-	-
22.2 - Minority interests	2,154	2,457	-	-
22.3 - Provision for reorganisation costs	<u>2,390</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>4,830</u>	<u>2,925</u>	<u>—</u>	<u>—</u>



# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

22.1 Deferred taxation	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Accelerated capital allowances	1,423	860	( 13)	-
Short term timing differences	69	(392)	(374)	(464)
Losses and other deductions	<u>(1,206)</u>	<u>-</u>	<u>(368)</u>	<u>-</u>
	286	468	(755)	(464)
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
At 31st August 2004	468		(464)	
Profit and loss account credit	( 560)		(291)	
Adjustment from previous period	( 122)		-	
Liability arising on acquisition	<u>500</u>		<u>-</u>	
At 31st August 2005	286		(755)	
	<u>      </u>		<u>      </u>	

## 22.2 Minority interests

### Profit and loss account

The amount shown represents the profits for the year, after taxation, attributable to the investment in subsidiary and associated undertakings held by minorities. The effects on the reported results of the group are summarised below:

	Attributable to group £'000	Minority interest £'000	Consolidated £'000
Operating profit	892	1,033	1,925
Share of operating results of associates	<u>530</u>	<u>-</u>	<u>530</u>
	1,422	1,033	2,455
Exceptional items	<u>(1,395)</u>	<u>( 885)</u>	<u>(2,280)</u>
Profit on ordinary activities before interest	27	148	175
Net interest paid	<u>88</u>	<u>176</u>	<u>264</u>
Loss on ordinary activities before taxation	( 61)	( 28)	( 89)
Taxation credit	<u>11</u>	<u>( 1)</u>	<u>10</u>
Loss on ordinary activities after taxation	<u>( 50)</u>	<u>( 29)</u>	<u>( 79)</u>

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 22.2 Minority interests [continued]

#### Balance sheet

The amount shown represents the minority interest in the share capital and reserves of subsidiary undertakings at 31st August 2005. The movement on this provision is summarised below:

	£'000
At 31st August 2004	2,457
Profit and loss account credit	( 29)
Exchange difference	3
Dividends paid to minority interest	( 277)
At 31st August 2005	2,154

### 22.3 Provision for reorganisation costs

#### Provision for costs in respect of reorganisation of activities £'000

At 31st August 2004	-
Profit and loss account charge	1,807
Acquisition (note 34)	345
Utilised during year	( 92)
Prior year acquisition	<u>330</u>
At 31st August 2005	2,390

During the year provisions amounting to £330,000 have been recognised in respect of a subsidiary undertaking acquired in the prior period. In accordance with FRS7, the provisional fair values assigned to the assets of the subsidiary acquired have been revised resulting in additional goodwill.

### 23. Capital of Edward Billington & Son Limited

	Authorised		Allotted, called up and fully paid	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
3.16% convertible first preferred ordinary shares of £1 each	342	342	-	241
3% second preferred ordinary shares of £1 each (non-voting)	1,250	1,250	429	647
Ordinary shares of £1 each	<u>2,408</u>	<u>2,408</u>	<u>1,442</u>	<u>1,617</u>
	4,000	4,000	1,871	2,505

The 3% second preferred ordinary shares of £1 each are independently valued each year. It was reported at the company's Annual General Meeting on 10th March 2005 that the valuation of these shares was £10.00 per share. The directors are advised that the recommended valuation of these shares remains at £10.00 per share.

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 24. Reserves

Group	Share premium account £'000	Capital reserves £'000	Revaluation reserve £'000	Other reserves £'000	Profit and loss account £'000
At 31st August 2004	87	2,132	174	67	34,251
Movements in year:					
Loss for the year	-	-	-	-	( 2,765)
Revaluation reserve transfer	-	-	( 3)	-	3
Exchange differences	-	-	-	-	3
UITF 38 adjustment	-	-	-	70	-
Increased investment in own shares	-	-	-	(290)	-
Purchase of own shares	-	634	-	-	( 7,138)
Other reserve movements	-	-	-	-	( 52)
At 31st August 2005	87	2,766	171	(153)	24,302
Company					
At 31st August 2004	87	-	104	67	25,968
Movements in year:					
Loss for the year	-	-	-	-	( 2,681)
Revaluation reserve transfer	-	-	( 3)	-	3
UITF 38 adjustment	-	-	-	70	-
Increased investment in own shares	-	-	-	(290)	-
Purchase of own shares	-	634	-	-	( 7,138)
At 31st August 2005	87	634	101	(153)	16,152

Other reserves relate to the value of the funds held in the Edward Billington & Son Limited - Employee Benefit Trust in excess of the initial contribution made by the company. The Trust held 38,199 (2004 15,299) shares in Edward Billington & Son Limited at 31st August 2005, at a value of £381,990 (2004 £91,794). This increase in value is shown as a reduction in "other reserves" in line with UITF Abstract 38.

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 25. Reconciliation of movements in shareholders' funds

	Year ended 31st August 2005		16 months ended 31st August 2004	
	£'000	£'000	£'000	£'000
Loss for the financial year		( 50)		21,388
Dividends - interim and proposed		<u>497</u>		<u>886</u>
		( 547)		20,502
Purchase of own shares	7,138		-	
Dividends - special	<u>2,218</u>		-	
		( 9,356)		-
		( 9,903)		20,502
Movements in the Employee Benefit Trust		( 220)		67
Other movements		( 49)		( 40)
Net decrease in shareholders' funds		(10,172)		20,529
Opening shareholders' funds		<u>39,216</u>		<u>18,687</u>
Closing shareholders' funds		<u>29,044</u>		<u>39,216</u>

### 26. Profit of Edward Billington & Son Limited

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 £34,280 (sixteen months ended 31st August 2004 £23,333,179) which is dealt with in the accounts of Edward Billington & Son Limited.

### 27. Contingent liabilities

Edward Billington & Son Limited has guaranteed the individual bank and loan facilities of certain subsidiary undertakings.

The group has, in the normal course of trade, given indemnities to third parties and entered into forward currency contracts. Other than amounts properly provided in the accounts no additional liabilities are expected to arise from these transactions.

### 28. Pensions

The group operates a number of pension schemes to provide retirement benefits for its employees.

The Edward Billington & Son Limited Retirement Benefits Scheme is a defined benefit pension scheme. Contributions are paid to the scheme in accordance with the recommendations of an independent qualified actuary.

Carrs Billington Agriculture (Operations) Limited, one of the group's subsidiaries, is the principal employer of the Carrs Billington Agriculture Pension Scheme, another defined benefit scheme. The scheme commenced on 6th 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 schemes are administered by trustees, held separately from those of the group and are invested with financial institutions.

The accounts are prepared in accordance with the requirements of SSAP24.

## EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

### Notes to the Accounts

#### 28. Pensions [continued]

##### 28.1 SSAP 24

###### **Edward Billington & Son Limited Retirement Benefits Scheme**

The group's income and expenditure charge for the year was £761,690 (sixteen months ended 31st August 2004 £1,226,325).

Actuarial valuations are carried out triennially for funding purposes, using the attained age method. The last actuarial valuation was dated 1st September 2004, the most significant assumptions being an expected return on investments of 7% p.a. before retirement and average salary growth of 5% p.a. up to normal retirement age. After retirement, an investment return of 5% p.a. was applied, with Limited Price Indexation ("LPI") pension increases of 2.5% p.a. The results of that valuation show the scheme's assets at £7,540,000 representing 58% of the value of the benefits that had accrued to in-service and deferred pensioner members.

Contributions to the scheme are made at a rate of 34.1% of annual pensionable salary in addition to a basic £12,000 per month. This comprises a standard employers contribution rate of 17.2% and a further 16.9% contribution required towards eliminating the scheme deficit. A revised contribution rate has been recommended by the actuary of 59.8%, comprising a standard contribution rate of 19.6% and a further 40.2% to eliminate the scheme deficit. In addition it is recommended that £31,300 per month be paid for the first three years to further eliminate the deficit. This has resulted primarily from improved mortality assumptions and the cost of providing a guaranteed 5% annual increase to pensions earned prior to 1st February 2000.

The scheme was closed to new entrants on 1st February 2001 and, under the method used to calculate pension costs in accordance with FRS17, the cost as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases.

In order to minimise the risk that the deficit will increase in the future the Board has decided that, with effect from 1st September 2006, the scheme will cease to accrue further benefits for its active members. An alternative defined contribution scheme will be offered to replace it.

###### **Carrs Billington Agriculture Pension Scheme**

The group's income and expenditure charge for the year was £408,746 (sixteen months ended 31st August 2004 £384,165).

The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the attained age method.

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%. The group Balance Sheet includes a prepayment in respect of the scheme of £671,077 (2004 £820,373).

###### **Defined Contribution Schemes**

Following the closure of the Edward Billington & Son Limited Retirement Benefits Scheme to new entrants, the company introduced a defined contribution pension plan to provide retirement benefits for new employees and those wishing to exercise a transfer from the defined benefit scheme.

The group also operates a defined contribution 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 2005 was £134,360 (sixteen months ended 31st August 2004 £92,903).

The total cost of the group's other defined contribution schemes for the year ended 31st August 2005 was £303,663 (sixteen months ended 31st August 2004 £310,599).

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 28. Pensions [continued]

#### 28.2 FRS17

The group will not be adopting FRS17 earlier than required. FRS17 will be implemented for the accounting period ending on 31st August 2006.

Under the transitional arrangements of FRS17, independent qualified actuaries updated the actuarial valuations to 31st August 2005. 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 schemes. The table also sets out as at 31st August 2005 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 liability).

Also disclosed are the amounts that would have been included in the Profit and Loss Account and Statement of Total Recognised Gains and Losses had FRS17 been adopted in full.

#### Edward Billington & Son Limited Retirement Benefits Scheme

Assumptions	31st August 2005	31st August 2004	30th April 2003
Price inflation	2.71%	2.80%	2.50%
Discount rate	4.91%	5.58%	5.36%
Pension increases (LPI)	2.71%	2.80%	2.50%
Salary growth	4.21%	4.30%	4.00%

#### Asset distribution and expected return

Components	31st August 2005		31st August 2004		30th April 2003	
	Expected return	Fair value £'000	Expected return	Fair value £'000	Expected return	Fair value £'000
Equities	6.90%	6,209	7.50%	5,021	7.40%	3,801
Bonds	4.30%	2,399	4.90%	1,933	4.80%	1,791
Cash	3.90%	454	4.50%	436	4.40%	361
Property	6.90%	284	7.50%	150	6.70%	228
Insured pensions and AVC's	-	-	5.58%	1,404	4.80%	1,522

#### Balance sheet

Total fair value of assets	9,346	8,944	7,703
Present value of liabilities	(14,984)	(13,436)	(12,972)
Gross pension deficit	( 5,638)	( 4,492)	( 5,269)
Deferred tax	1,691	1,348	1,581
Net pension deficit	( 3,947)	( 3,144)	( 3,688)

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 28 Pensions [continued]

The following figures only illustrate the amounts that would be included in the performance statements had FRS17 been adopted in full during the year.

	Year ended 31st August 2005 £'000	16 months ended 31st August 2004 £'000
<b>Analysis of the potential amount charged to operating profit</b>		
Current service cost	270	358
Past service cost	—	—
Total operating charge	270	358
	—	—
<b>Analysis of the potential amount charged to other finance costs</b>		
Expected return on pension scheme assets	592	650
Interest on pension scheme liabilities	(750)	(921)
Net charge	(158)	(271)
	—	—
<b>Analysis of potential amount recognised in statement of total recognised gains and losses (STRGL)</b>		
Actual return less expected return on pension scheme assets	858	361
Experience gains and losses on liabilities	543	-
Changes in assumptions underlying the present value of the scheme liabilities	(2,724)	298
Actuarial loss recognised in STRGL	(1,323)	659
	—	—
<b>Movements in deficit during the year</b>		
Deficit in scheme at beginning of the year	(4,492)	(5,269)
Movement in year:		
Current service cost	( 270)	( 358)
Contributions	605	747
Other finance costs	( 158)	( 271)
Actuarial loss	(1,323)	659
Deficit in scheme at end of the year	(5,638)	(4,492)
	—	—

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 28. Pensions [continued]

#### History of experience gains and losses

	Year ended 31st August 2005 £'000	16 months ended 31st August 2004 £'000	Year ended 30th April 2003 £'000
Difference between the expected and actual return on the scheme assets:			
Percentage of scheme assets	858 9%	361 5%	(1,931) (25%)
Experience gains and losses on scheme liabilities:	543	Nil	Nil
Percentage of the present value of the scheme liabilities	4%	Nil	Nil
Total amount recognised in statement of total recognised gains and losses:	(1,323)	659	(2,911)
Percentage of the present value of the scheme liabilities	(9%)	5%	(22%)

#### Carrs Billington Agriculture Pension Scheme

Assumptions	31st August 2005	31st August 2004	30th April 2003
Price inflation	2.73%	2.84%	2.50%
Discount rate	4.88%	5.58%	5.36%
Pension increases (LPI)	2.73%	2.84%	2.50%
Salary growth	3.50%	3.84%	3.50%

#### Asset distribution and expected return

Components	31st August 2005		31st August 2004		30th April 2003	
	Expected return	Fair value £'000	Expected return	Fair value £'000	Expected Return	Fair value £'000
Equities	6.70%	12,288	7.20%	10,757	6.9%	9,400
Bonds	4.20%	4,194	4.70%	3,881	4.4%	3,301
Cash	4.20%	984	4.70%	182	4.4%	152
Total fair value of assets		17,466		14,820		12,853
Present value of liabilities		(23,943)		(19,677)		(17,481)
Gross pension deficit		(6,477)		( 4,857)		( 4,628)
Deferred tax		1,943		1,457		1,388
Net pension deficit		( 4,534)		( 3,400)		( 3,240)

The deficit stated in respect of the Carrs Billington Agriculture Pension Scheme is before making any adjustment for the minority interest. The group's share of the obligations will therefore amount to 51% of the actuarial deficit.



# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 28. Pensions [continued]

The following figures only illustrate the amounts that would be included in the performance statements had FRS17 been adopted in full during the year.

	Year ended 31st August 2005 £'000	16 months ended 31st August 2004 £'000	
<b>Analysis of the potential amount charged to operating profit</b>			
Current service cost	130	174	
Past service cost	—	—	
Total operating charge	130	174	
<b>Analysis of the potential amount charged to other finance costs</b>			
Expected return on pension scheme assets	965	1,050	
Interest on pension scheme liabilities	(1,086)	(1,228)	
Net charge	( 121)	( 178)	
<b>Analysis of potential amount recognised in statement of total recognised gains and losses (STRGL)</b>			
Actual return less expected return on pension scheme assets	1,688	1,289	
Experience gains and losses on scheme liabilities	-	( 814)	
Changes in assumptions underlying the present value of the scheme liabilities	(3,613)	( 713)	
Actuarial loss recognised in STRGL	(1,925)	( 238)	
<b>Movements in deficit during the year</b>			
Surplus in scheme at beginning of the year	(4,857)	(4,628)	
Movement in year:			
Current service cost	( 130)	( 174)	
Contributions	556	361	
Other finance costs	( 121)	( 178)	
Actuarial loss	(1,925)	( 238)	
Deficit in scheme at end of the year	(6,477)	(4,857)	
<b>History of experience gains and losses</b>			
	Year ended 31st August 2005 £'000	16 months ended 31st August 2004 £'000	Year ended 30th April 2003 £'000
Difference between the expected and actual return on the scheme assets:	1,688	1,289	(2,834)
Percentage of scheme assets	10%	9%	( 22%)
Experience gains and losses on scheme liabilities:	Nil	( 814)	Nil
Percentage of the present value of the scheme liabilities	Nil	( 4%)	Nil
Total amount recognised in statement of total recognised gains and losses:	(1,925)	( 238)	(5,144)
Percentage of the present value of the scheme liabilities	( 8%)	( 1%)	( 29%)

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 29. Operating companies

Subsidiary undertakings	Country of Incorporation	Percentage of ordinary shares held by the group
<b>Agricultural division</b>		
*Billington Agriculture Holdings Limited	England	100
Carrs Billington Agriculture (Operations) Limited	England	51
*Criddle & Co. Limited	England	100
<b>Foods division</b>		
*Billington Foods Limited	England	100
*English Provender Company Limited	England	100
*Classic Couverture Limited	England	100
*Suffolk Foods Limited	England	100
*+Wholesome Sweeteners Inc.	U.S.A.	55
<b>Frozen Foods division</b>		
*Billington Frozen Foods Limited	England	100
<b>Travel division</b>		
*The Owners' Company (Private Villas) Limited	England	100
<b>Associated undertakings</b>		
+Carrs Billington Agriculture (Sales) Limited	England	49
*+Vitamin Pet Foods Limited	Barbados	30
<b>Trade investments</b>		
+Mrs. Lam's Delicious Food Company Limited	England	6
*+Central Tin Containers Limited	England	20

\*Edward Billington & Son Limited holds the shares of these companies.

+Indicates companies audited other than by Mitchell Charlesworth.

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 30. Related party transactions

Included in other creditors are the following amounts due to the directors at 31st August 2005, together with details of the interest paid during the year.

	2005 £'000	2004 £'000	Interest Paid £'000
E.W. Billington	80	-	4
M.R. Cashin	200	-	15
D. Marshall	92	-	5
R. Merrick	205	-	11
R.R. Toomey	63	-	2
L.L.R. Whiteley	252	2	6

Other loans from shareholders amounted to £138,088 (2004 £95,296) on which interest of £5,031 (sixteen months ended 31st August 2004 £4,071) has been paid.

Rhopode Limited owns 492,283 ordinary shares and 121,811 second preferred ordinary shares in this company. During the year Edward Billington & Son Limited borrowed a maximum of £57,500 from Rhopode Limited, with an outstanding balance at 31st August 2005 of £5,000 (2004 £57,500). Interest charged in the year was £1,908 (sixteen months ended 31st August 2004 £2,232).

The group 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 and its subsidiaries, entered into the following transactions with the group during the year and had outstanding balances as follows:

	2005 £'000	2004 £'000
<b>Carrs Milling Industries PLC</b>		
Loan to the group	1,225	1,225

The loan is interest free and there are no formal terms agreed for its repayment.

#### Carrs Billington Agriculture (Sales) Limited

Sales by the group	37,585	49,724
Purchases by the group	121	16
Debtors	6,448	6,364

#### Northern Feeds Solutions Limited

Sales by the group	2,869	444
Debtors	265	-
Creditors	( 19)	-

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

### 30. Related party transactions [continued]

	2005 £'000	2004 £'000
<b>Carrs Engineering Limited</b>		
Services purchased by the group	228	256
Creditors	( 59)	( 82)

During the year, Wholesome Sweeteners Inc. was charged £626,271 (sixteen months ended 31st August 2004 £536,644) for the manufacture and packing of sugars by Imperial Sugar Inc., an investing party. Office accommodation and certain personnel were provided free of charge by Imperial Sugar Inc.

### 31. Reconciliation of operating profit to operating cash flows

	Year ended 31st August 2005 £'000	16 months ended 31st August 2004 £'000
Operating profit	1,925	5,536
Depreciation of tangible fixed assets	3,226	3,393
Amortisation of intangible fixed assets	817	740
Surplus on disposal of tangible fixed assets	( 17)	( 47)
<b>Earnings before interest, depreciation and amortisation</b>	<b>5,951</b>	<b>9,622</b>
Dividends from associates	14	6
Stocks	(4,346)	(3,330)
Debtors	3,631	(2,351)
Creditors	3,688	1,282
Provisions	( 92)	-
Restructuring costs	( 363)	-
Loss on disposal of unquoted investments	3	-
Investment grant transfer	( 45)	( 62)
<b>Net cash inflow from operating activities</b>	<b>8,441</b>	<b>5,167</b>

### 32. Analysis of net debt

	At 31st August 2004 £'000	Exchange movements £'000	Cash flow £'000	Other non- cash changes £'000	At 31st August 2005 £'000
Cash at bank and in hand	12,737	1	(11,865)	-	873
Bank overdrafts	( 3,836)	(10)	( 5,740)	-	( 9,586)
	8,901	( 9)	(17,605)	-	( 8,713)
Debt due within one year	( 177)	-	177	(2,492)	( 2,492)
Debt due after one year	( 115)	-	( 7,195)	2,492	( 4,818)
Finance leases	( 1,346)	-	40	( 200)	( 1,506)
<b>Total</b>	<b>7,263</b>	<b>( 9)</b>	<b>(24,583)</b>	<b>( 200)</b>	<b>(17,529)</b>

# EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

## Notes to the Accounts

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

	2005 £'000	2004 £'000
Decrease in cash in the year	(17,605)	12,731
Cash inflow from increase in debt and lease financing	( 6,978)	1,974
Bills of exchange	-	4,500
Translation difference (see note 30)	( 9)	253
Finance leases acquired	( 200)	( 604)
Movement in net debt in the year	(24,792)	18,854
Net debt at 31st August 2004	<u>7,263</u>	<u>(11,591)</u>
Net debt at 31st August 2005	<u>(17,529)</u>	<u>7,263</u>

### 34. Acquisition

On 15th July 2005 Carrs Billington Agriculture (Operations) Limited acquired certain of the business and assets of W. & J. Pye Limited (in administration). In accordance with FRS7 provisional fair values have been assigned to the assets acquired.

	Fair values £'000
Intangible assets	1,700
Tangible fixed assets	9,544
Stock	1,090
Debtors	5,916
Creditors	( 306)
Deferred tax provision	( 500)
Provisions	( 345)
Finance leases	( 200)
Net assets acquired	16,899
Negative goodwill	( 997)
Consideration	15,902
Consideration satisfied by:	
Cash	15,006
Acquisition costs - settled	<u>379</u>
	15,385
Acquisition costs - provided	<u>517</u>
	<u>15,902</u>