

EDWARD BILLINGTON & SON LIMITED

DIRECTORS' REPORT AND ACCOUNTS

for the year ended

31st August 2006

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COMPANY REGISTRATION NO· 59883

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Report of the Directors for the year ended 31st August 2006

The directors submit their report to the shareholders together with the audited accounts for the year ended 31st August 2006

Profits, dividends and retentions

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

The profit on ordinary activities of the group, after exceptional charges and before taxation and minority interests, amounts to £2,509,185 (2005 as restated £497,582)

Under new accounting standards, dividends of 27% proposed this year for approval at the forthcoming Annual General Meeting are not shown as a deduction against this year's reserves, but instead will fall into the 31st August 2007 accounts, when they are paid. Dividends of £492,146 which were proposed in the previous year's accounts have been paid during the year

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 £150,240,491 (2005 £131,853,642)

English Provender Company Limited successfully integrated the business of Suffolk Foods although the costs associated with this were higher than anticipated and these, together with an exceptional increase in the price of rape seed oil, its main raw material, resulted in lower profits

Wholesome Sweeteners Inc continued to grow sales and profits and is now thought to be the largest supplier of natural and organic sweeteners in the US. Due to the company's growth and the nature of the US sugar quota system we purchase a substantial proportion of our annual requirement of sugar in August of each year and this has the effect of increasing both the stocks and bank borrowing shown in these accounts

Classic Couverture Limited continued to under perform throughout the year and its business was sold, at a modest profit, on 5th September 2006 as explained in note 35 to the accounts. The proceeds from sale were received on 5th September and are included in "Other Debtors" in these accounts

Carrs Billington Agriculture completed its restructure following the acquisition of the trade and assets of W & J Pye Limited in July 2005. Surplus mills were closed and sold to release cash and reduce costs. The market for animal feed remains difficult, especially in the dairy sector, but the company is now well placed to compete in the agricultural market place

Criddle and Co Limited, although profitable, had a disappointing year as market conditions were flat and led to limited trading opportunities

The Owners' Syndicate Limited incurred losses and ceased to trade on 3rd February 2006 when its trade and assets were sold

This year we have implemented 'FRS 17 – Retirement Benefits' for the first time and so the deficits on the group's two final salary pension schemes are now included within these accounts. Total contributions of £1,687,340 were paid into these schemes to reduce their deficits and the Edward Billington & Son Limited Retirement Benefit Scheme ceased to accrue further benefits with effect from 1st September 2006

2006 has been a year of major restructure throughout the group. English Provender Company Limited and Carrs Billington completed the work began in the previous year to reduce costs whilst increasing the capacity and quality of their factories. Underperforming assets, particularly those at Classic Couverture Limited, were disposed to release cash and reduce borrowing. The financial results from this were a modest profit for the year and a major reduction in bank borrowing

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Report of the Directors for the year ended 31st August 2006

Financial risk management objectives and policies

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

The company is exposed to normal credit and cash flow risks associated with selling on credit and manages this through credit control procedures.

Criddle & Co Limited trades mainly in animal feed commodities and enters into fixed price contracts to be taken up at a future date. The majority of the price risk associated with such trading is mitigated by matching sales and purchase contracts and financial instruments are also used to minimise market risk.

Wholesome Sweeteners Inc, is a company incorporated in the USA and the US Dollar is therefore its functional currency. The group's consolidated accounts together with the value of remittances from the USA are subject to foreign exchange risk. The directors continually monitor this risk and consider that the level of risk is acceptable.

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 purchase of own shares reported in last year's accounts, the company completed the acquisition of two final tranches of 3% second preferred ordinary shares during November 2005 and April 2006. The acquisition consisted of a total of 9,343 shares for an aggregate consideration of £93,430.

Directors and directors' interests

The members of the Board of Directors at 31st August 2006, 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	
	2006	2005	2006	2005
E W Billington	35,201	35,201	7,856	7,856
M R Cashin	2,625	2,475	19,244	19,244
D Marshall	-	-	4,974	4,974
R R Toomey	15,259	17,659	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 M R Cashin and Mr D Marshall 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 2006

Charitable donations

During the year the group contributed £6,907 for charitable purposes (2005 £4,240)

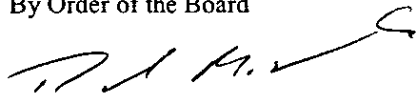
Insurance of directors

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 will be proposed at the forthcoming Annual General Meeting

By Order of the Board



DAVID MARSHALL

Secretary

Cunard Building,
Liverpool L3 1EL

8th January 2007

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Statement of Directors' Responsibilities for the year ended 31st August 2006

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

In so far as the directors are aware

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

Mitchell Charlesworth

Chartered Accountants

5 Temple Square Temple Street Liverpool L2 5RH

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

We have audited the accounts of Edward Billington & Son Limited for the year ended 31 August 2006 which are set out on pages 6 to 39. 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 to 12.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and 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 (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

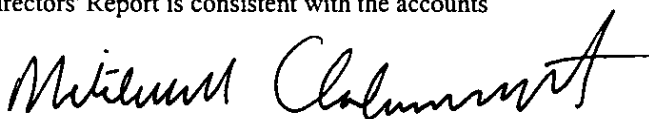
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error.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

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the affairs of the group and company as at 31st August 2006 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the accounts.

MITCHELL CHARLESWORTH
Registered Auditor



8th January 2007

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Consolidated Profit and Loss Account for the year ended 31st August 2006

		Continuing operations 2006	Discontinued operations 2006	Total 2006	Total 2005 As restated £'000
	Notes	£'000	£'000	£'000	
Turnover	2	128,170	22,070	150,240	131,854
Cost of sales	3	<u>105,096</u>	<u>17,925</u>	<u>123,021</u>	<u>105,358</u>
Gross profit		23,074	4,145	27,219	26,496
Net operating expenses	3	<u>19,857</u>	<u>4,713</u>	<u>24,570</u>	<u>23,706</u>
Operating profit	4	3,217	(568)	2,649	2,790
Share of operating results of associates	6	342	-	342	530
Exceptional items	7	<u>114</u>	<u>948</u>	<u>1,062</u>	(2,280)
Profit on ordinary activities before interest		3,673	380	4,053	1,040
Net interest paid	8			<u>1,544</u>	<u>543</u>
Profit on ordinary activities before taxation				2,509	497
Taxation	9			<u>603</u>	<u>65</u>
Profit on ordinary activities after taxation				1,906	432
Minority interests	22 2			<u>1,163</u>	<u>49</u>
Profit attributable to the members of the holding company				<u>743</u>	<u>383</u>

The notes on pages 10 to 39 form part of these accounts



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 2006

		Group		Company	
		2006	2005	2006	2005
			As restated		As restated
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	11	17,946	29,045	334	786
Intangible assets	12	4,597	4,425	2,667	-
Investments	13	<u>2,191</u>	<u>2,281</u>	<u>6,130</u>	<u>11,933</u>
		24,734	35,751	9,131	12,719
Current assets					
Tangible assets	14	-	1,724	-	-
Intangible assets	15	-	1,051	-	-
Stocks	16	15,366	15,097	-	-
Debtors	17	30,279	22,062	13,033	15,020
Cash at bank and in hand		<u>374</u>	<u>873</u>	<u>207</u>	<u>95</u>
		46,019	40,807	13,240	15,115
Creditors					
Amounts falling due within one year	18	<u>32,635</u>	<u>34,999</u>	<u>4,453</u>	<u>8,053</u>
Net current assets		13,384	5,808	8,787	7,062
Total assets less current liabilities		38,118	41,559	17,918	19,781
Creditors					
Amounts falling due after more than one year	19	5,661	7,012	112	-
Provision for liabilities and charges	22	<u>2,023</u>	<u>2,535</u>	-	-
Net assets excluding pension liabilities		30,434	32,012	17,806	19,781
Pension liabilities	28	<u>6,327</u>	<u>8,481</u>	<u>2,345</u>	<u>3,947</u>
		24,107	23,531	15,461	15,834
Capital and reserves					
Called up share capital	23	1,861	1,871	1,861	1,871
Share premium account	24	87	87	87	87
Revaluation reserve	24	99	171	99	101
Capital reserves	24	2,776	2,766	644	634
Other reserves	24	(301)	(153)	(301)	(153)
Profit and loss account	24	<u>19,585</u>	<u>18,789</u>	<u>13,071</u>	<u>13,294</u>
Total shareholders' funds	25	24,107	23,531	15,461	15,834

Approved by the Board of Directors
on 8th January 2007

LLOYD WHITELEY

MARK CASHIN

)
) Directors
)

The notes on pages 10 to 39 form part of these accounts

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Statement of Total Recognised Gains and Losses for the year ended 31st August 2006

	2006 £'000	2005 As restated £'000
Profit for the year	743	383
Actuarial gain on net pension liabilities	964	(2,305)
Other movements on net pension liabilities	-	150
Deferred tax associated with net pension liabilities	(344)	645
Exchange and other adjustments	(54)	(49)
Total recognised gains and losses relating to the year	1,309	(1,176)
Prior year adjustment (see note 1)	(5,513)	-
Total recognised gains and losses recognised since last annual report	(4,204)	(1,176)

Note of Historical Cost Profits and Losses for the year ended 31st August 2006

	2006 £'000	2005 As restated £'000
Reported profit on ordinary activities before taxation	2,509	497
Realisation of property revaluation gains of previous years	70	-
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	2	3
Historical cost profit on ordinary activities before taxation	2,581	500
Historical cost profit for the year after taxation, minority interests and dividends	323	(1,835)

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Consolidated Cash Flow Statement for the year ended 31st August 2006

	2006		2005	
	£'000	£'000	As restated £'000	£'000
Cash flow from operating activities (note 31)		1,723		8,720
Returns on investments and servicing of finance				
Interest received	34		377	
Interest paid	(1,257)		(723)	
Finance lease interest	(70)		(88)	
Dividends paid to minority interests	(195)		(277)	
		(1,488)		(711)
Taxation		(378)		(726)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(2,584)		(6,318)	
Disposal of tangible fixed and current assets	4,067		109	
Subscription in unquoted investment	-		(10)	
Disposal of unquoted investment	-		30	
		1,483		(6,189)
Acquisitions and disposals				
Disposal of intangible current assets	1,700		-	
Additional investment in subsidiary undertaking	-		(63)	
Acquisition of business	-		(15,385)	
Deferred consideration on acquisition of subsidiary undertaking	(250)		-	
		1,450		(15,448)
Equity dividends paid		(492)		(2,871)
Cash inflow before financing		2,298		(17,225)
Financing				
Loan repayments	(2,538)		(182)	
New loans	237		7,200	
New finance leases	149		770	
Capital element of finance lease repayments	(572)		(810)	
Purchase of own shares including Employee Benefit Trust	(241)		(7,358)	
		(2,965)		(380)
Decrease in cash in the year (note 32)		(667)		(17,605)

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

Changes in accounting policies – prior year adjustments

The group has adopted 'FRS 17 – Retirement Benefits' in full for the first time in these accounts (see note 28) In prior years the group has complied with the transitional disclosure requirements of this standard This change in accounting policy has resulted in a prior year adjustment amounting to £6,006,589 as detailed in note 28

The adoption of 'FRS 21 – Events after the balance sheet date' has resulted in a change in accounting policy in respect of proposed equity dividends If the company declares dividends to the holders of equity instruments after the balance sheet date, the company does not recognise those dividends as a liability at the balance sheet date The aggregate amount of equity dividend proposed before approval of the accounts which have not been shown as liabilities at the balance sheet date, are disclosed in the notes to the accounts Previously proposed equity dividends were recorded as liabilities at the balance sheet date This change in accounting policy has resulted in a prior year adjustment for the group and company For the year ended 31st August 2005 the change in accounting policy has resulted in a net increase in retained profit for the year of £494,183 The balance sheet at 31st August 2005 has been restated to reflect the de-recognition of a liability for proposed equity dividends of £494,183

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

Subsidiary undertakings are accounted for using acquisition accounting

Associated undertakings are accounted for using the equity method of accounting The group's share of the results of associated undertakings is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet

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 excluding value added tax and inter-group transactions

Depreciation

Depreciation of tangible fixed assets, other than freehold land, has been calculated to write off the cost or valuation of the assets, less their estimated residual value 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 33%

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Notes to the Accounts

1. Accounting policies [continued]

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 FRS 15 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

Pension schemes

Contributions in respect of defined contribution pension schemes are charged to Profit and Loss Account when they become payable. In accordance with 'FRS 17 – Retirement Benefits', costs associated with current service and financing the deficit of defined benefit pension schemes are recognised separately in the Profit and Loss Account

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

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 2006 the total funds held by the Trustees, amounted to £383,222. 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 2006 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

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Notes to the Accounts

1. Accounting policies [continued]

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.

Financial instruments

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

2. Turnover

	2006 £'000	2005 £'000
Manufacture and merchandising of foodstuffs		
Home	130,741	110,530
Overseas	<u>18,836</u>	<u>18,542</u>
	149,577	129,072
Travel and other		
Home	<u>663</u>	<u>2,782</u>
Group turnover	<u>150,240</u>	<u>131,854</u>

3. Operating costs

Year ended 31st August 2006

	Continuing operations £'000	Discontinued operations £'000	Total £'000
Turnover	128,170	22,070	150,240
Cost of sales	105,096	17,925	123,021
Net operating expenses			
Sales and distribution costs	12,035	693	12,728
Administration expenses	<u>7,822</u>	<u>4,020</u>	<u>11,842</u>
	19,857	4,713	24,570
Operating profit	<u>3,217</u>	<u>(568)</u>	<u>2,649</u>

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Notes to the Accounts

3. Operating costs [continued]

Year ended 31st August 2005 (as restated)

	Continuing operations £'000	Discontinued operations £'000	Total £'000
Turnover	105,164	26,690	131,854
Cost of sales	83,882	21,476	105,358
Net operating expenses			
Sales and distribution costs	9,526	634	10,160
Administration expenses	8,951	4,595	13,546
	18,477	5,229	23,706
Operating profit	2,805	(15)	2,790

4. Operating profit

The operating profit for the year has been arrived at after

	2006 £'000	2005 £'000
Charging		
Directors' emoluments (see note 5)	731	918
Auditors' remuneration - audit	57	56
- non-audit	55	84
Operating lease rentals	1,709	1,371
Depreciation	3,190	3,226
Amortisation of goodwill	1,056	817
Crediting		
Investment grants	155	45
Surplus on disposal of tangible fixed assets	6	17

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

	2006 £'000	2005 £'000
Management remuneration (including benefits in kind)	592	579
Profit sharing bonuses	-	168
Pension scheme contributions	139	171
	731	918

Included in management remuneration is an amount of £116,840 in respect of compensation for loss of office

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Notes to the Accounts

5. Directors' emoluments and employment costs [continued]

Included in pension scheme contributions are amounts paid to defined contribution schemes totalling £29,255 (2005 £34,966). The number of directors who were members of a defined contribution scheme was 6 (2005 - 6) and the number who were members of a defined benefit scheme was 6 (2005 - 6).

The emoluments of the highest paid director were as follows

	2006 £'000	2005 £'000
Aggregate emoluments, excluding pension contributions	134	175
Company pension contributions to a defined contribution scheme	1	23

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.

	2006 £'000	2005 As restated £'000
Employees		
Total cost of employment		
Wages and salaries	14,833	15,930
Social security costs	1,632	1,468
Other pension costs	854	743
	17,319	18,141

In addition to the pension costs stated above, a credit of £909,000 is included in the profit and loss account arising as a result of the decision detailed in note 28, that the Edward Billington & Son Limited Retirement Benefits Scheme will cease to accrue further benefits for its active members.

	2006 Number	2005 Number
Average number of employees		
Management and administration	105	151
Selling and distribution	41	28
Direct labour and production	404	392
	550	571

6. Share of operating results of associates

	2006 £'000	2005 £'000
Share of operating profit	342	530

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Notes to the Accounts

7. Exceptional items

	2006 £'000	2005 £'000
Costs of restructuring foods division	(553)	(473)
Profit on disposal of business	1,012	-
Impairment of goodwill following disposal of business	(909)	-
Costs of restructuring agriculture division	(170)	(1,807)
Release of negative goodwill	498	-
Profit on disposal of land and buildings	<u>1,184</u>	<u>-</u>
	<u>1,062</u>	<u>(2,280)</u>

8. Net interest paid

	2006 £'000	2005 As restated £'000
Interest paid		
Bank interest	663	298
Loan interest	396	137
Finance leases	70	88
Other interest	<u>263</u>	<u>280</u>
	1,392	803
Interest received	<u>34</u>	<u>377</u>
	1,358	426
Associated undertakings		
Interest paid	300	125
Interest received	<u>(114)</u>	<u>(8)</u>
	<u>1,544</u>	<u>543</u>

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Notes to the Accounts

9. Taxation

	2006 £'000	2005 As restated £'000
9.1 Analysis of charge for year		
Current tax		
U K corporation tax on profit for the year		
Group companies	451	(162)
Associated undertakings	(33)	176
Foreign taxation	643	586
Adjustment in respect of previous period	(13)	(50)
Total current tax	1,048	550
Deferred tax		
Origination and reversal of timing differences	(445)	(485)
Tax on profit on ordinary activities	603	65
	<hr/>	<hr/>
9.2 Factors affecting the current tax charge for the year	2006 £'000	2005 As restated £'000
Tax arising on profit on ordinary activities at the standard rate of corporation tax of 30% (2005 30%)	753	149
Effects of		
Expenses not deductible for tax purposes	572	288
Depreciation charge in excess of capital allowances	568	(532)
Credits not taxable	(305)	(223)
Other timing differences	(727)	(402)
Higher tax rates on overseas earnings	132	136
Adjustment in respect of previous period	(13)	(50)
Utilisation of tax losses	(558)	-
Unrelieved losses	626	1,184
	1,048	550
	<hr/>	<hr/>

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Notes to the Accounts

10. Equity dividends of Edward Billington & Son Limited

		2006		2005
Paid		£'000		As restated £'000
1st preferred ordinary		-		61
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	17 2%	111
Final - paid 24 02 2006	16.8%	72	9 1%	59
Waivers		(13)		(43)
	27 0%	103	126 3%	773
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	17 2%	278
Final - paid 24 02 2006	16.8%	242	9 1%	147
Waivers		-		(4)
	27.0%	389	126 3%	2,037
Total dividends paid		492		2,871
Proposed				
2nd preferred ordinary				
Interim	10.2%	43	10 2%	44
Final	16.8%	71	16 8%	72
Waivers		(15)		(11)
	27.0%	99	27 0%	105
Ordinary shares				
Interim	10.2%	147	10 2%	147
Final	16 8%	242	16 8%	242
	27.0%	389	27 0%	389
Total dividends proposed		488		494

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 2005	11,870	40,509	52,379
Additions	847	2,504	3,351
Disposals	(1,617)	(17,943)	(19,560)
Exchange differences	-	(9)	(9)
FRS 7 fair value revision	(1,120)	(1,878)	(2,998)
At 31st August 2006	9,980	23,183	33,163
At valuation 30th April 1983	135	320	455
30th April 1991	500	1,500	2,000
17th August 1995	200	195	395
30th April 1997	250	-	250
At cost	<u>8,895</u>	<u>21,168</u>	<u>30,063</u>
	9,980	23,183	33,163
Depreciation			
At 31st August 2005	2,150	21,184	23,334
Amounts provided	505	2,685	3,190
Released on disposals	(1,216)	(10,087)	(11,303)
Exchange differences	-	(4)	(4)
At 31st August 2006	<u>1,439</u>	<u>13,778</u>	<u>15,217</u>
Net book value			
At 31st August 2006	<u>8,541</u>	<u>9,405</u>	<u>17,946</u>
At 31st August 2005	<u>9,720</u>	<u>19,325</u>	<u>29,045</u>

The net book value of land and buildings includes £117,201 (2005 £117,201) of long-leasehold property and £4,486,662 (2005 £5,019,386) 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 £1,399,689 (2005 £1,879,937).

The net book value of tangible fixed assets includes an amount of £757,602 (2005 £2,058,093) in respect of assets held under finance leases, and on which depreciation charged in the year was £243,836 (2005 £452,133).

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 2005	589	624	1,213
Additions	-	49	49
Disposals	(250)	(289)	(539)
At 31st August 2006	339	384	723
At valuation 30th April 1997	250	-	250
At cost	89	384	473
	339	384	723
Depreciation			
At 31st August 2005	127	300	427
Amounts provided	22	105	127
Released on disposals	-	(165)	(165)
At 31st August 2006	149	240	389
Net book value			
At 31st August 2006	190	144	334
At 31st August 2005	462	324	786

The net book value of land and buildings includes £3,422 (2005 £20,839) 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 £119,689 (2005 £261,937)

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Notes to the Accounts

12. Intangible fixed assets

	Group			Company
	Positive Goodwill £'000	Negative Goodwill £'000	Total £'000	Positive Goodwill £'000
Cost				
At 31st August 2005	9,315	(1,859)	7,456	-
FRS 7 fair value revision (note 34)	1,065	997	2,062	-
Additions	241	-	241	3,003
Disposals	<u>(2,148)</u>	<u>676</u>	<u>(1,472)</u>	<u>-</u>
At 31st August 2006	8,473	(186)	8,287	3,003
Amortisation				
At 31st August 2005	3,900	(869)	3,031	-
Amounts provided	1,112	(56)	1,056	336
Impairment	909	-	909	-
Released on disposals	<u>(2,148)</u>	<u>842</u>	<u>(1,306)</u>	<u>-</u>
At 31st August 2006	3,773	(83)	3,690	336
Net book value				
At 31st August 2006	4,700	(103)	4,597	2,667
At 31st August 2005	5,415	(990)	4,425	-

13. Investments

	Group Cost	Unquoted £'000	Associated undertakings £'000	Total £'000
At 31st August 2005		271	2,010	2,281
Movements in year				
Amounts written off		(251)	-	(251)
Associated undertakings				
Share of results		-	173	173
Reserves movement		<u>-</u>	<u>(12)</u>	<u>(12)</u>
At 31st August 2006		20	2,171	2,191

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]

The group's investments in associated undertakings at 31st August 2006 is represented by the following

	2006 £'000
Share of fixed assets	1,974
Share of current assets	10,104
Share of current liabilities	(9,950)
Share of net current assets	154
Share of liabilities due in more than one year	(132)
Share of net assets	1,996
Goodwill arising on acquisition less amortisation	175
	<u>2,171</u>

The group's share of turnover of associated undertakings amounted to £63,342,000 for the year

Company Cost	Unquoted £'000	Associated undertakings £'000	Subsidiary undertakings £'000	Total £'000
At 31st August 2005	20	4	11,909	11,933
Movement in year				
Additions	-	-	241	241
Group transfers	251	-	67	318
Amounts written off	(251)	-	(3,108)	(3,359)
Amounts reallocated (see note below)	<u>-</u>	<u>-</u>	<u>(3,003)</u>	<u>(3,003)</u>
At 31st August 2006	<u>20</u>	<u>4</u>	<u>6,106</u>	<u>6,130</u>

Following the disposal of trade and assets in both Billington FT Limited (formerly The Owners' Company (Private Villas) Limited) and Karmvid Limited (formerly Classic Couverture Limited) the carrying cost of these investments has been written down to the recoverable amount

Following the transfer of the trade and assets of Suffolk Foods Limited into English Provender Company Limited, £3,002,954 of the cost of the investment has been reallocated as goodwill. This amount being equal to the net book value of the goodwill arising on the original acquisition

14. Tangible current assets

Prior to disposal during the year, the net book value of £1,724,000 of the tangible current assets was increased by £1,111,959 as a result of the fair value revisions detailed in note 34

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Notes to the Accounts

15. Intangible current assets

	Positive Goodwill £'000	Negative Goodwill £'000	Total £'000
Group			
Cost			
At 1st September 2005	1,700	(1,666)	34
Disposal	<u>(1,700)</u>	<u>1,666</u>	<u>(34)</u>
At 31st August 2006	-	-	-
Amortisation			
At 1st September 2005	-	(1,017)	(1,017)
Released on disposal	<u>-</u>	<u>1,017</u>	<u>1,017</u>
At 31st August 2006	-	-	-
Net book amount			
At 31st August 2006	-	-	-
At 31st August 2005	<u>1,700</u>	<u>(649)</u>	<u>1,051</u>

The trade upon which the acquired goodwill of £1,700,000 arose, was disposed of during September 2005

16. Stocks

	2006 £'000	2005 £'000
Group		
Raw materials	1,654	4,344
Goods for resale	<u>13,712</u>	<u>10,753</u>
	<u>15,366</u>	<u>15,097</u>

There were no stocks held by Edward Billington & Son Limited

17. Debtors

	Group		Company	
	2006 £'000	2005 As restated £'000	2006 £'000	2005 As restated £'000
Trade debtors	9,821	11,555	-	-
Prepayments and accrued income	942	2,325	104	53
Other taxes	662	343	-	-
Subsidiary undertakings	-	-	10,574	13,853
Associated undertakings	4,700	6,448	50	-
Other debtors	13,517	881	2,264	372
Corporation tax recoverable	292	510	-	242
Deferred tax asset (see note 22 1)	<u>345</u>	<u>-</u>	<u>41</u>	<u>500</u>
	<u>30,279</u>	<u>22,062</u>	<u>13,033</u>	<u>15,020</u>

The associated undertakings debtor includes £1,225,000 which will be repaid after more than one year

Included in other debtors is an amount of £10,619,320 in respect of proceeds due on the sale of the business assets of Karmvid Limited (formerly Classic Couverture Limited) detailed in note 35

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Notes to the Accounts

18. Creditors – amounts falling due within one year

	Group		Company	
	2006	2005	2006	2005
		As restated		As restated
	£'000	£'000	£'000	£'000
Current instalments on loans	1,099	2,492	79	-
Bank overdrafts	9,479	9,586	-	-
Trade creditors	14,398	14,133	5	123
Other creditors	1,587	1,692	604	1,030
Accruals and deferred income	4,793	5,815	475	795
Current corporation tax	535	-	-	-
Other taxes and social security costs	387	635	385	565
Finance lease obligations	357	646	-	10
Subsidiary undertakings	-	-	2,905	5,530
	<u>32,635</u>	<u>34,999</u>	<u>4,453</u>	<u>8,053</u>

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

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Bank loans	3,910	4,818	112	-
Other loan	1,225	1,225	-	-
Accruals and deferred income	-	109	-	-
Finance lease obligations	<u>526</u>	<u>860</u>	<u>-</u>	<u>-</u>
	<u>5,661</u>	<u>7,012</u>	<u>112</u>	<u>-</u>
Repayment of bank loans				
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
In one year or less	1,099	2,492	79	-
Between one and two years	1,079	1,020	79	-
Between two and five years	2,831	3,250	33	-
After five years	<u>-</u>	<u>548</u>	<u>-</u>	<u>-</u>
	<u>5,009</u>	<u>7,310</u>	<u>191</u>	<u>-</u>

The outstanding bank loans are secured and are subject to variable interest rates, being between 5.75% and 6.25% at 31st August 2006. Details of the other loan are given in note 30.

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Notes to the Accounts

20. Lease obligations

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Finance leases				
Amounts falling due				
Within one year	357	646	-	10
Within two to five years	<u>526</u>	<u>860</u>	<u>-</u>	<u>-</u>
	<u>883</u>	<u>1,506</u>	<u>-</u>	<u>10</u>
Operating lease commitments				
	Land and buildings		Plant and machinery	
	2006	2005	2006	2005
Group	£'000	£'000	£'000	£'000
Leases expiring				
Within one year	-	-	43	80
Within two to five years	169	234	184	316
After five years	<u>607</u>	<u>896</u>	<u>325</u>	<u>198</u>
	<u>776</u>	<u>1,130</u>	<u>552</u>	<u>594</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 (2005 £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	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Contracted for but not provided in the accounts	Nil	111	Nil	Nil

22. Provision for liabilities and charges

	Group		Company	
	2006	2005	2006	2005
	£'000	As restated £'000	£'000	£'000
22 1 - Deferred taxation	-	541	-	-
22 2 - Minority interests	621	(396)	-	-
22 3 - Provision for reorganisation costs	<u>1,402</u>	<u>2,390</u>	<u>-</u>	<u>-</u>
	<u>2,023</u>	<u>2,535</u>	<u>-</u>	<u>-</u>

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Notes to the Accounts

22.1 Deferred taxation

	Group		Company	
	2006	2005	2006	2005
		As restated		As restated
	£'000	£'000	£'000	£'000
Accelerated capital allowances	102	1,423	(14)	(13)
Short term timing differences	(27)	324	(27)	(119)
Losses and other deductions	(420)	(1,206)	-	(368)
	(345)	541	(41)	(500)
	-	-	-	-
At 31st August 2005 (as originally stated)	286	468	(755)	(464)
Prior year adjustment	255	180	255	180
At 31st August 2005 (as restated)	541	648	(500)	(284)
Profit and loss account credit	(906)	(485)	110	(216)
Adjustment from previous period	-	(122)	-	-
Prior year losses relieved	520	-	349	-
FRS 7 fair value revision	(500)	500	-	-
At 31st August 2006	(345)	541	(41)	(500)
	-	-	-	-

The profit and loss account credit shown above, excludes a charge of £461,000 arising from the movements on the deferred tax asset which has been net off the pension liabilities shown in note 28

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	1,029	1,620	2,649
Share of operating results of associates	342	-	342
	1,371	1,620	2,991
Exceptional items	834	228	1,062
Profit on ordinary activities before interest	2,205	1,848	4,053
Net interest paid	1,096	448	1,544
Profit on ordinary activities before taxation	1,109	1,400	2,509
Taxation	366	237	603
Profit on ordinary activities after taxation	743	1,163	1,906
	-	-	-

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 2006. The movement on this provision is summarised below

	£'000
At 31st August 2005 (as originally stated)	2,154
Prior year adjustment	(2,550)
At 31st August 2005 (as restated)	(396)
Profit and loss account charge	1,163
Share of net gains reported in the statement of total recognised gains and losses	91
Exchange difference	(42)
Dividends paid to minority interest	(195)
At 31st August 2006	621

22.3 Provision for reorganisation costs

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

At 31st August 2005	2,390
Profit and loss account charge	5
FRS 7 fair value revision (note 34)	876
Utilised during year	(1,869)
At 31st August 2006	1,402

23. Capital of Edward Billington & Son Limited

	Authorised		Allotted, called up and fully paid	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
3 16% convertible first preferred ordinary shares of £1 each	342	342	-	-
3% second preferred ordinary shares of £1 each (non-voting)	1,250	1,250	419	429
Ordinary shares of £1 each	<u>2,408</u>	<u>2,408</u>	<u>1,442</u>	<u>1,442</u>
	<u>4,000</u>	<u>4,000</u>	<u>1,861</u>	<u>1,871</u>

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 24th February 2006 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 2005	87	2,766	171	(153)	24,302
Prior year adjustment	—	—	—	—	(5,513)
At 31st August 2005 (as restated)	87	2,766	171	(153)	18,789
Movements in year					
Profit for the year	-	-	-	-	743
Revaluation reserve transfer	-	-	(72)	-	72
Exchange differences	-	-	-	-	(42)
Actuarial gain on net pension liabilities	-	-	-	-	964
Deferred tax associated with net pension liabilities	-	-	-	-	(344)
UITF 38 adjustment	-	-	-	(5)	-
Increased investment in own shares	-	-	-	(143)	-
Purchase of own shares	-	10	-	-	(93)
Other reserve movements	-	-	-	-	(12)
Equity dividends paid	—	—	—	—	(492)
At 31st August 2006	87	2,776	99	(301)	19,585
Company					
At 31st August 2005	87	634	101	(153)	16,152
Prior year adjustment	—	—	—	—	(2,858)
At 31st August 2005 (as restated)	87	634	101	(153)	13,294
Movements in year					
Loss for the year	-	-	-	-	(165) ✓
Revaluation reserve transfer	-	-	(2)	-	2 ✓
Actuarial gain on net pension liabilities	-	-	-	-	750 ✓
Deferred tax associated with net pension liabilities	-	-	-	-	(225) ✓
UITF 38 adjustment	-	-	-	(5)	-
Increased investment in own shares	-	-	-	(143)	-
Purchase of own shares	-	10	-	-	(93)
Equity dividends paid	—	—	—	—	(492)
At 31st August 2006	87	644	99	(301)	13,071

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 52,492 (2005 38,199) shares in Edward Billington & Son Limited at 31st August 2006, at a value of £524,920 (2005 £381,990). 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

	2006		2005 As restated	
	£'000	£'000	£'000	£'000
Profit for the financial year		743		383
Equity dividends - paid		<u>492</u>		<u>653</u>
		251		(270)
Purchase of own shares	93		7,138	
Dividends - special	<u>-</u>	<u>(93)</u>	<u>2,218</u>	<u>(9,356)</u>
		158		(9,626)
Other recognised gains and losses relating to the year		620		(1,510)
Movements in the Employee Benefit Trust		(148)		(220)
Other movements		<u>(54)</u>		<u>(49)</u>
Net increase in shareholders' funds		576		(11,405)
Opening shareholders' funds (as originally stated)	29,044		34,936	
Prior year adjustment	<u>(5,513)</u>		<u>-</u>	
Opening shareholder's funds (as restated)		<u>23,531</u>		<u>34,936</u>
Closing shareholders' funds		<u>24,107</u>		<u>23,531</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 a loss of £165,728 (2005 profit £34,280 as restated) 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.

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Notes to the Accounts

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.

Edward Billington & Son Limited Retirement Benefits Scheme

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 amounting to £1,048,417 were paid into the scheme during the year. This comprises a standard employers contribution rate of 19.6% and a further 40.2% contribution required towards eliminating the scheme 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 FRS 17, 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 increased in the future the Board decided that, with effect from 1st September 2006, the scheme would cease to accrue further benefits for its active members. An alternative defined contribution scheme was then implemented to replace it.

Carrs Billington Agriculture Pension Scheme

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%.

Contributions paid into the scheme during the year amounted to £638,923. Carrs Billington Agriculture (Sales) Limited, a related undertaking with agreed obligations in respect of employees who are members of the scheme, paid £84,000, being its share of the current service costs.

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Notes to the Accounts

28. Pensions [continued]

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 2006 was £202,128 (2005 £134,360)

The total cost of the group's other defined contribution schemes for the year ended 31st August 2006 was £303,505 (2005 £303,663)

28.1 FRS 17

FRS 17 has been adopted in full this year which has required a change to the accounting treatment of defined benefit pension arrangements such that the group now includes the assets and liabilities of such arrangements in the balance sheet. Current service costs, curtailment and settlement gains and losses, and net financial returns are included in the profit and loss account in the period to which they relate. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

The implementation of FRS 17 in full for the first time has resulted in a prior year adjustment, the impact of which is shown below

Group Profit & Loss Account	Group operating profit £'000	Net interest paid £'000	Taxation £'000	Minority interest £'000	Profit for the year £'000
Year ended 31st August 2005 (as originally stated)	1,925	(264)	10	29	(50)
Adoption of FRS 17	<u>865</u>	<u>(279)</u>	<u>(75)</u>	<u>(78)</u>	<u>433</u>
Year ended 31st August 2005 (as restated)	<u>2,790</u>	<u>(543)</u>	<u>(65)</u>	<u>(49)</u>	<u>383</u>
Group Balance Sheet	Accruals £'000	Debtors due after more than one year £'000	Provisions £'000	Net Pension Liabilities £'000	Profit and loss reserve £'000
Year ended 31st August 2005 (as originally stated)	(6,665)	671	(4,830)	-	24,302
Adoption of FRS 17	850	(671)	2,295	(8,481)	(6,007)
Other prior year adjustments (note 1)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>494</u>
Year ended 31st August 2005 (as restated)	<u>(5,815)</u>	<u>-</u>	<u>(2,535)</u>	<u>(8,481)</u>	<u>18,789</u>

The actuarial valuations were updated to 31st August 2006 by an independent qualified actuary in accordance with FRS 17. As required by FRS 17, 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.

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Notes to the Accounts

28 Pensions [continued]

The following table sets out the key FRS 17 assumptions used for the schemes. The table also sets out as at 31st August 2006 the fair value of the assets, a breakdown of the assets into the main asset classes, the present value of the FRS 17 liabilities and the surplus or deficit of assets over the FRS 17 liabilities (which equals the gross pension liability).

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

Edward Billington & Son Limited Retirement Benefits Scheme

Assumptions	2006	2005	2004
Price inflation	3.00%	2.71%	2.80%
Discount rate	5.10%	4.91%	5.58%
Pension increases (LPI)	3.00%	2.71%	2.80%
Salary growth	4.50%	4.21%	4.30%

Asset distribution and expected return

Components	31st August 2006		31st August 2005		31st August 2004	
	Expected return	Fair value £'000	Expected return	Fair value £'000	Expected return	Fair value £'000
Equities	7.00%	7,565	6.90%	6,209	7.50%	5,021
Bonds	4.40%	2,675	4.30%	2,399	4.90%	1,933
Cash	4.00%	539	3.90%	454	4.50%	436
Property	7.00%	357	6.90%	284	7.50%	150
Insured pensions and AVC's	-	-	-	-	5.58%	1,404
Balance sheet						
Total fair value of assets		11,136		9,346		8,944
Present value of liabilities		(14,486)		(14,984)		(13,436)
Gross pension deficit		(3,350)		(5,638)		(4,492)
Deferred tax		1,005		1,691		1,348
Net pension deficit		(2,345)		(3,947)		(3,144)

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Notes to the Accounts

28 Pensions [continued]

	2006 £'000	2005 £'000
Analysis of the amount credited to operating profit		
Current service cost	275	270
Curtailment credit	(909)	—
Total operating credit	(634)	270
	—	—
Analysis of the amount charged to other finance costs		
Expected return on pension scheme assets	591	592
Interest on pension scheme liabilities	(735)	(750)
Net charge	(144)	(158)
	—	—
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	468	858
Experience gains and losses on liabilities	-	543
Changes in assumptions underlying the present value of the scheme liabilities	282	(2,724)
Actuarial gain recognised in STRGL	750	(1,323)
	—	—
Movements in deficit during the year		
Deficit in scheme at beginning of the year	(5,638)	(4,492)
Movement in year		
Current service cost	(275)	(270)
Contributions	1,048	605
Curtailment credit	909	-
Other finance costs	(144)	(158)
Actuarial gain	750	(1,323)
Deficit in scheme at end of the year	(3,350)	(5,638)
	—	—

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Notes to the Accounts

28. Pensions [continued]

History of experience gains and losses

History of experience gains and losses	Year ended 31st August 2006 £'000	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	468	858	361	(1,931)
Percentage of scheme assets	4%	9%	5%	(25%)
Experience gains and losses on scheme liabilities	Nil	543	Nil	Nil
Percentage of the present value of the scheme liabilities	Nil	4%	Nil	Nil
Total amount recognised in statement of total recognised gains and losses	750	(1,323)	659	(2,911)
Percentage of the present value of the scheme liabilities	5%	(9%)	5%	(22%)

Carrs Billington Agriculture Pension Scheme

Assumptions	2006	2005	2004
Price inflation	3.00%	2.73%	2.84%
Discount rate	5.10%	4.88%	5.58%
Pension increases (LPI)	3.00%	2.73%	2.84%
Salary growth	3.50%	3.50%	3.84%

Asset distribution and expected return

Components	31st August 2006		31st August 2005		31st August 2004	
	Expected return	Fair value £'000	Expected return	Fair value £'000	Expected Return	Fair value £'000
Equities	6.70%	13,459	6.70%	12,288	7.20%	10,757
Bonds	4.10%	4,991	4.20%	4,194	4.70%	3,881
Cash	4.10%	558	4.20%	984	4.70%	182
Total fair value of assets		19,008		17,466		14,820
Present value of liabilities		(24,697)		(23,943)		(19,677)
Gross pension deficit		(5,689)		(6,477)		(4,857)
Deferred tax		1,707		1,943		1,457
Net pension deficit		(3,982)		(4,534)		(3,400)

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]

	2006 £'000	2005 £'000
Analysis of the amount charged to operating profit		
Current service cost	73	130
Past service cost	—	—
Total operating charge	73	130
Analysis of the amount charged to other finance costs		
Expected return on pension scheme assets	1,033	965
Interest on pension scheme liabilities	(1,150)	(1,086)
Net charge	(117)	(121)
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	783	1,688
Changes in assumptions underlying the present value of the scheme liabilities	(363)	(3,613)
Actuarial gain recognised in STRGL	420	(1,925)
Movements in deficit during the year		
Deficit in scheme at beginning of the year	(6,477)	(4,857)
Movement in year		
Current service cost	(157)	(130)
Contributions	642	556
Other finance costs	(117)	(121)
Actuarial gain	420	(1,925)
Deficit in scheme at end of the year	(5,689)	(6,477)

	Year ended 31st August 2006 £'000	Year ended 31st August 2005 £'000	16 months ended 31st August 2004 £'000	Year ended 30th April 2003 £'000
History of experience gains and losses				
Difference between the expected and actual return on the scheme assets	783	1,688	1,289	(2,834)
Percentage of scheme assets	4%	10%	9%	(22%)
Experience gains and losses on scheme liabilities	Nil	Nil	(814)	Nil
Percentage of the present value of the scheme liabilities	Nil	Nil	(4%)	Nil
Total amount recognised in statement of total recognised gains and losses	420	(1,925)	(238)	(5,144)
Percentage of the present value of the scheme liabilities	2%	(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
Agricultural division		
Billington Agriculture Holdings Limited	England	100
*Carrs Billington Agriculture (Operations) Limited	England	51
Criddle & Co Limited	England	100
Foods division		
Billington Foods Limited	England	100
English Provender Company Limited	England	100
Karmvid Limited (formerly Classic Couverture Limited)	England	100
+Wholesome Sweeteners Inc	U S A	55
Frozen Foods division		
Billington Frozen Foods Limited	England	100
Travel division		
Billington FT Limited (formerly The Owners' Company (Private Villas) Limited)	England	100
Associated undertakings		
*+Carrs Billington Agriculture (Sales) Limited	England	49
+Vitamin Pet Foods Limited	Barbados	30
Trade investments		
+Mrs Lam's Delicious Food Company Limited	England	1
+Central Tin Containers Limited	England	20

*The shares of these companies are not directly held by Edward Billington & Son Limited

+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 2006, together with details of the interest paid during the year

	2006 £'000	2005 £'000	Interest Payable £'000
E W Billington	33	80	2
M R Cashin	200	200	10
D Marshall	70	92	4
R R Toomey	27	63	1
L L R Whiteley	104	252	11

Other loans from shareholders amounted to £137,951 (2005 £343,382) on which interest of £5,729 (2005 £16,127) is payable

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 amounts totalling £170,000 from Rhopode Limited and taken together with the opening balance of £5,000 these amounts were fully repaid during the year. Interest charged in the year was £1,203 (2005 £1,908).

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, its joint venture companies Bibby Agriculture Limited and Afgritech Limited, and four of its subsidiaries, Carrs Billington Agriculture (Sales) Limited, Northern Feed Solutions Limited, Carrs Agriculture Limited and Carrs Engineering Limited entered into the following material transactions with the group during the year and had outstanding material balances as follows

31st August 2006	Sales £'000	Purchases £'000	Management charges £'000	Creditors £'000	Debtors £'000
Carrs Milling Industries plc	-	-	-	1,225	-
Carrs Billington Agriculture (Sales) Ltd	58,479	556	368	119	4,770
Northern Feeds Solutions Limited	337	-	-	-	4
Carrs Agriculture Limited	145	-	-	-	-
Carrs Engineering Limited	-	260	-	100	-
Bibby Agriculture Limited	6,763	-	-	81	881
Afgritech Limited	355	-	-	-	50

The trade upon which the goodwill referred to in note 15 arose, was sold to Bibby Agriculture Limited during the year for £1,700,000.

The balance of £1,225,000 due to Carrs Milling Industries plc represents an interest free loan for which there are no formal repayment terms agreed. Included within the £4,770,000 due from Carrs Billington Agriculture (Sales) Limited is £1,225,000 which is also interest free and has no formal repayment terms agreed.

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Notes to the Accounts

30. Related party transactions [continued]

31st August 2005	Sales £'000	Purchases £'000	Management charges £'000	Creditors £'000	Debtors £'000
Carrs Milling Industries plc	-	-	-	1,225	-
Carrs Billington Agriculture (Sales) Ltd	37,585	121	-	-	6,448
Northern Feeds Solutions Limited	2,869	-	-	-	265
Carrs Engineering Limited	-	228	-	59	-

During the year, Wholesome Sweeteners Inc was charged £289,582 (2005 £626,271) 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

	2006 £'000	2005 As restated £'000
Operating profit	2,649	2,790
Depreciation of tangible fixed assets	3,190	3,226
Amortisation of intangible fixed assets	1,056	817
Surplus on disposal of tangible fixed assets	(6)	(17)
Earnings before interest, depreciation and amortisation	6,889	6,816
Dividends from associates	16	14
Increase in stocks	(1,831)	(4,346)
Decrease in debtors	3,384	3,483
Decrease in creditors	(2,307)	3,438
Decrease in provisions	(1,869)	(92)
Defined benefit pension schemes	(1,904)	(188)
Restructuring costs	(751)	(363)
Write off of unquoted investments	251	3
Investment grant transfer	(155)	(45)
Net cash inflow from operating activities	1,723	8,720

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Notes to the Accounts

32. Analysis of net debt

	At 31st August 2005 £'000	Exchange movements £'000	Cash flow £'000	Other non- cash changes £'000	At 31st August 2006 £'000
Cash at bank and in hand	873	(47)	(452)	-	374
Bank overdrafts	(9,586)	322	(215)	-	(9,479)
	(8,713)	275	(667)	-	(9,105)
Debt due within one year	(2,492)	-	2,492	(1,099)	(1,099)
Debt due after one year	(4,818)	-	(191)	1,099	(3,910)
Finance leases	(1,506)	-	423	200	(883)
Total	(17,529)	275	2,057	200	(14,997)

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

	2006 £'000	2005 £'000
Decrease in cash in the year	(667)	(17,605)
Cash outflow from decrease in debt and lease financing	(2,724)	(6,978)
Translation difference	275	(9)
FRS 7 fair value revision (see note 34)	200	(200)
Movement in net debt in the year	2,532	(24,792)
Net debt at 31st August 2005	(17,529)	7,263
Net debt at 31st August 2006	(14,997)	(17,529)

EDWARD BILLINGTON & SON LIMITED AND SUBSIDIARIES

Notes to the Accounts

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 FRS 7 provisional fair values were assigned to the assets acquired in the 31st August 2005 accounts In this first full period post acquisition, amendments to the fair values have been made, resulting in an adjustment to goodwill on acquisition

	Provisional fair values £'000	Adjustments £'000	Final fair values £'000
Intangible assets	1,700	-	1,700
Tangible fixed assets	9,544	(1,886)	7,658
Stock	1,090	-	1,090
Debtors	5,916	-	5,916
Creditors	(306)	-	(306)
Deferred tax provision	(500)	500	-
Provisions	(345)	(810)	(1,155)
Finance leases	(200)	200	-
Net assets acquired	16,899	(1,996)	14,903
Negative goodwill	(997)	2,062	1,065
Consideration	15,902	66	15,968

35. Disposal of business

On 5th September 2006 the sale of certain elements of the trade and business assets of Karmvid Limited (formerly Classic Couverture Limited) was completed The transaction is incorporated within these accounts, the proceeds of which are shown within debtors

	£'000	£'000
Net assets disposed of		
Tangible fixed assets		7,816
Prepaid expenditure		23
Stocks		<u>1,094</u>
		8,933
Satisfied by		
Cash included as debtor	10,619	
Costs of disposal provided	(674)	
Net consideration		<u>9,945</u>
		1,012
Impairment of goodwill		<u>909</u>
Profit on disposal		<u>103</u>