

For the year ended 31 MARCH 2009

## 1 Turnover and (loss)/profit on ordinary activities before taxation

The turnover and (loss)/profit on ordinary activities before taxation is attributable to the one principal activity of the group:

	2009 £	2008 £
An analysis of turnover by geographical location is:		
United Kingdom	44,628,179	44,007,069
Overseas - mainly Europe	7,068,387	5,364,435
	<u>51,696,566</u>	<u>49,371,504</u>

The (loss)/profit on ordinary activities before taxation is stated after:

	2009 £	2008 £
Auditor's remuneration:		
Audit services	33,500	34,600
Non-audit services	4,322	10,770
Depreciation:		
Tangible fixed assets owned	132,201	87,543
Tangible fixed assets held under lease purchase and hire purchase agreements	21,723	36,380
Amortisation of consolidation goodwill	228,141	189,735
Impairment of consolidation goodwill	217,637	-
Amortisation of purchased goodwill	10,473	-
Loss on disposal of fixed assets	8,239	1,667
Profit on disposal of fixed assets	-	(6,750)
Operating lease cost		
- plant and machinery	90,383	60,148
- property	536,490	368,721
	<u>90,383</u>	<u>60,148</u>
	<u>536,490</u>	<u>368,721</u>

### Liability Limitation Agreement with the auditor

The directors propose that the group enter into a liability limitation agreement with Grant Thornton UK LLP, the statutory auditor, in respect of the statutory audit for the year ended 31 March 2009. The proportionate liability agreement follows the standard terms in Appendix B to the Financial Reporting Council's June 2008 Guidance on Auditor Liability Agreements. It is intended that a resolution effective retrospectively will be proposed for approval at the next Annual General Meeting.

## 2 Other operating income

Other operating income mainly represents income from property rental and commissions receivable.

## 3 Interest payable and similar charges

	2009 £	2008 £
Loan stock and loan note interest	-	95,578
Other interest	253,445	104,141
	<u>253,445</u>	<u>199,719</u>

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4 Interest receivable

	2009 £	2008 £
Bank interest receivable	23,927	154,469
Other interest receivable	15,405	-
	<u>39,332</u>	<u>154,469</u>

5 Other finance costs

	2009 £	2008 £
Expected return on pension scheme assets	6,500,000	6,700,000
Surplus not recognised (See note 27)	-	(400,000)
Interest on pension scheme liabilities	(6,900,000)	(6,300,000)
	<u>(400,000)</u>	<u>-</u>

6 Directors and employees

Staff costs during the year were as follows:

	2009 £	2008 £
Wages and salaries	3,061,552	2,195,837
Social security costs	265,663	207,533
Other pension costs	1,071,717	987,503
	<u>4,398,932</u>	<u>3,390,873</u>

Contributions of £454,572 were paid during 2009 to the defined benefit pension scheme (2008: £431,327). Details of pension contributions are included in note 27.

The average number of employees of the group during the year was as follows:

	2009 Number	2008 Number
Management and administration	33	23
Packing	59	17
Sales and handling	55	49
	<u>147</u>	<u>89</u>

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Directors and employees (continued)

Remuneration in respect of directors was as follows:

	2009 £	2008 £
Emoluments	215,157	250,975
Pension contributions:		
Defined benefit	8,730	8,603
Defined contribution	302,441	256,965
	<u>526,328</u>	<u>516,543</u>

During the year three directors (2008: three) participated in a defined benefit pension scheme and three directors (2008: three) participated in a defined contribution scheme.

The remuneration of the highest paid director (excluding pension contribution) was £54,063 (2008: £89,880)

7 Tax on (loss)/profit on ordinary activities

The tax (credit)/charge is based on the (loss)/profit for the year and represents:

	2009 £	2008 £
<b>Current tax</b>		
United Kingdom corporation tax at 28% (2008: 30%) (credit)/charge	(1,805)	595,409
<b>Deferred tax</b>		
Origination and reversal of timing differences (note 17)	(1,049)	(4,179)
Adjustments in respect of prior years	(1)	-
<b>Tax (credit)/charge on profit on ordinary activities</b>	<u>(2,855)</u>	<u>591,230</u>

Factors affecting the tax charge for period

(Loss)/profit multiplied by the standard rate	(257,964)	529,141
The tax assessed for the period differs from the standard rate of corporation tax in the United Kingdom of 28% (2008: 30%)		

Effect of:

Amortisation and impairment of consolidation goodwill	124,818	56,920
Expenses not deductible for tax purposes	2,351	1,046
Capital allowances for the period differ from depreciation charged	1,049	4,751
Utilisation of tax losses	(938)	(1,600)
Pension deficit funding	121,161	126,318
FRS17 adjustments	-	(120,000)
Other adjustments	7,718	(1,167)
Current tax (credit)/charge for the period	<u>(1,805)</u>	<u>595,409</u>

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8 Profit for the financial year attributable to the parent company

The parent company has taken advantage of the exemption from presenting its own profit and loss account as permitted by Section 230 of the Companies Act 1985. The group profit and loss account for the year includes a loss of £18,964 (2008: £53,703 loss) that has been dealt with within the financial statements of the parent company.

9 Intangible fixed assets

**Group**

	<b>Consolidation goodwill £</b>
Cost	
At 1 April 2008	3,794,696
Acquired during the year (see note 11)	768,128
At 31 March 2009	<u><b>4,562,824</b></u>
Amortisation	
At 1 April 2008	288,493
Charge for the year	228,141
Impairment charge	217,637
At 31 March 2009	<u><b>734,271</b></u>
Net book value	
At 31 March 2009	<u><u><b>3,828,553</b></u></u>
At 31 March 2008	<u><u>3,506,203</u></u>

Goodwill arising on the acquisition of Community Foods (Holdings) Limited and Day + One Limited is being amortised over 20 years.

In view of the changed economic climate since acquisition of the subsidiary the Directors have thought it prudent in the present economic downturn to take an impairment in the carrying value of the consolidation goodwill attributed to Day + One Limited. This assessment of the carrying value of the consolidation goodwill was based on consideration of future cash flows discounted at an appropriate rate.

	<b>Purchased goodwill £</b>
Cost	
At 1 April 2008	94,516
Addition	10,213
At 31 March 2009	<u><u><b>104,729</b></u></u>
Amortisation	
At 1 April 2008	-
Charge for the year	10,473
At 31 March 2009	<u><u><b>10,473</b></u></u>

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Intangible fixed assets (continued)

Net book value	
At 31 March 2009	<u><u>94,256</u></u>
At 31 March 2008	<u><u>94,516</u></u>

On 18 March 2008 the Group acquired the whole of the business assets of Fair Deal Trading Partnership LLP for an initial consideration of £94,516.

The initial consideration of £94,516 was satisfied in cash, plus costs of £10,213. Further cash consideration could be payable, amounting to a maximum of £30,000, dependent upon the venture's results in the two years to 31 March 2011.

Goodwill arising on the acquisition of the whole of the business assets of Fair Deal Trading Partnership LLP will be amortised over 10 years.

<b>Summary of goodwill:</b>	<b>2009</b>	2008
	<b>£</b>	<b>£</b>
Consolidation goodwill	<b>3,828,553</b>	3,506,203
Purchased goodwill	<b>94,256</b>	94,516
	<u><u><b>3,922,809</b></u></u>	<u><u>3,600,719</u></u>

10 Tangible fixed assets - Group

	<b>Leasehold improve- ments £</b>	<b>Plant and machinery £</b>	<b>Motor vehicles £</b>	<b>Computer equipment £</b>	<b>Total £</b>
Cost					
At 1 April 2008	270,366	510,089	159,594	198,576	1,138,625
Acquisition of subsidiary	14,945	368,272	7,950	22,112	413,279
Additions	-	46,265	14,950	29,096	90,311
Disposals	-	(13,535)	(26,350)	-	(39,885)
At 31 March 2009	<u><u>285,311</u></u>	<u><u>911,091</u></u>	<u><u>156,144</u></u>	<u><u>249,784</u></u>	<u><u>1,602,330</u></u>
Depreciation					
At 1 April 2008	220,682	275,530	88,519	146,242	730,973
Acquisition of subsidiary	14,192	237,943	6,535	14,418	273,088
Provided in the year	12,669	84,752	20,051	36,452	153,924
Disposals	-	(8,683)	(19,113)	-	(27,796)
At 31 March 2009	<u><u>247,543</u></u>	<u><u>589,542</u></u>	<u><u>95,992</u></u>	<u><u>197,112</u></u>	<u><u>1,130,189</u></u>
Net book value at 31 March 2009	<u><u>37,768</u></u>	<u><u>321,549</u></u>	<u><u>60,152</u></u>	<u><u>52,672</u></u>	<u><u>472,141</u></u>
Net book value at 31 March 2008	<u><u>49,684</u></u>	<u><u>234,559</u></u>	<u><u>71,075</u></u>	<u><u>52,334</u></u>	<u><u>407,652</u></u>

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### Tangible fixed assets - Group (continued)

#### **Hire purchase and lease purchase agreements**

Included within the net book value of £472,141 is £55,777 (2008: £64,101) relating to assets held under hire purchase and lease purchase agreements. The depreciation charged in the year in respect of assets held under hire purchase agreements and lease purchase agreement amounted to £21,723 (2008: £36,380).

## 11 Investments - Company

	<b>2008</b>
	£
Cost	
At 31 April 2008 and at 31 March 2009	<u>17,388,066</u>

The group consists of the parent company and the following subsidiary companies all of which are wholly owned and incorporated in England and Wales.

<b>Name</b>	<b>Principal activity</b>
Community Foods (Holdings) Limited	Intermediate holding company
Community Foods Limited*	Merchanting food products for retail and manufacture
Day + One Limited*	Packer of natural and organic food products

\* Held via intermediate holding company

The company holds 100% of the ordinary share capital (£2) of MMQ Trustees Limited which was incorporated on 22 July 2005 to act as a trustee for former members. MMQ Trustees Limited holds shares in the company which have been issued to former members as part of the conversion from an Industrial and Provident Society. At 31 March 2009 304,036 (2008: 308,601) shares were held in trust. MMQ Trustees Limited has not made a profit or loss in the year and has net assets of £2 and its accounts have not been included in the consolidation on the grounds of immateriality.

#### **Subsidiary Acquisitions**

On 1 April 2008 a subsidiary undertaking, Community Foods Limited, acquired the whole of the issued share capital of Day + One Limited for an initial consideration of £1,339,587 .

The initial consideration was satisfied as to £1,100,000 plus the issue of 50,000 £1 Ordinary shares in Community Foods Group Limited, plus two further cash instalments of £75,000. Cost of £39,587 were incurred as part of the acquisition.

Further cash consideration could be payable, amounting to a maximum of £50,000, dependent upon the results of Day + One Limited in the year to 31 March 2010.

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Investments - Company (continued)

Extracts from the profit and loss account of Day + One Limited for the two years ended 31 March 2009 and 31 March 2008 respectively are as follows:

	2009 £	2008 £
Turnover	4,289,036	3,633,013
Operating (loss)/profit	(80,762)	99,686
(Loss)/profit before taxation	(86,379)	94,350
Taxation credit/(charge)	2,581	(19,592)
(Loss)/profit after taxation	<u>(83,798)</u>	<u>74,758</u>

The fair value of net assets of Day + One Limited at the acquisition date were:

	£
Tangible fixed assets	140,191
Stocks	366,058
Debtors	595,616
Cash at bank	60,659
Creditors (amounts falling due within one year)	(496,293)
Corporation tax	(19,373)
Creditors (amounts falling due after more than one year)	(33,303)
Deferred tax and other provisions	(42,096)
	<u>571,459</u>
Consolidation goodwill (see note 9)	<u>768,128</u>
	<u>1,339,587</u>

**Represented by:**

	£
Initial cash consideration	1,100,000
Deferred consideration	150,000
Ordinary shares in Community Foods Group Limited	50,000
Costs and stamp duty	39,587
At 31 March 2009	<u>1,339,587</u>

It has not been necessary to make any fair value adjustments to the net assets acquired.

12 Stocks

	2009 £	2008 £
Finished goods and goods for resale	<u>11,626,332</u>	<u>14,504,848</u>

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13 Debtors

	<b>Group 2009</b>	Group 2008	<b>Company 2009</b>	Company 2008
	£	£	£	£
Trade debtors	<b>7,355,939</b>	7,899,788	-	-
Prepayments and accrued income	<b>401,177</b>	239,678	-	-
Other debtors	<b>143,395</b>	77,620	-	833
Deferred revenue expenditure	<b>44,914</b>	13,908	-	-
Corporation tax recoverable	<b>100,000</b>	-	-	-
	<b>8,045,425</b>	8,230,994	-	833

14 Creditors: amounts falling due within one year

	<b>Group 2009</b>	Group 2008	<b>Company 2009</b>	Company 2008
	£	£	£	£
Amounts owed to other group undertakings	-	-	<b>94,263</b>	39,466
Certificates of Entitlement and other amounts due to former members (note 1)	<b>408,378</b>	408,296	<b>408,378</b>	408,296
Finance facility (note 2)	<b>3,532,397</b>	3,908,466	-	-
Bank overdraft (note 3)	<b>114,686</b>	-	-	-
Trade creditors	<b>2,239,215</b>	3,971,801	-	7,682
Corporation tax payable	-	309,045	-	-
Other taxation and social security	<b>90,473</b>	78,186	<b>8,885</b>	72,286
Accruals and deferred income	<b>647,540</b>	687,115	<b>71,430</b>	-
Obligations under lease purchase and hire purchase agreements	<b>28,925</b>	29,914	-	-
	<b>7,061,614</b>	9,392,823	<b>582,956</b>	527,730

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Creditors: amounts falling due within one year

**Note 1 - Certificates of entitlement**

Cash at bank includes £406,048 in the company (2008: £406,048) held in respect of Certificates of Entitlement and other amounts due to former members

**Note 2 - Finance facility**

The finance facility relates to debts factored with recourse, and is secured by a fixed and floating charge over the assets of a subsidiary company.

**Note 3 - Bank overdraft**

The bank facilities are secured by fixed and floating charges over the assets of subsidiary companies.

The interest rates payable on Group borrowings are at rates in a range up to UK bank base rate plus 3%. Bank overdrafts are repayable on demand and the long term loan will be fully repaid by early 2011. The finance facility is subject to six months' notice of intention to terminate.

15 Creditors: amounts falling due after more than one year

	<b>Group 2009</b>	Group 2008	<b>Company 2009</b>	Company 2008
	£	£	£	£
Bank loans	<b>9,439</b>	-	-	-
Hire purchase and lease purchase agreements	<b>10,111</b>	22,458	-	-
	<b>19,550</b>	22,458	-	-

16 Provisions for liabilities and charges

	<b>Group 2009</b>	Group 2008	<b>Company 2009</b>	Company 2008
	£	£	£	£
Provision against losses on forward contracts:				
At 1 April 2008	<b>15,000</b>	827,658	-	-
On acquisition	<b>1,500</b>	-	-	-
Movement in the year	<b>(16,500)</b>	(812,658)	-	-
At 31 March 2009	<b>-</b>	15,000	-	-

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17 Deferred taxation

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Taxation allowances over depreciation on fixed assets at 1 April 2008	13,339	17,518	-	-
On acquisition	7,096	-	-	-
Movement in year	(1,049)	(4,179)	-	-
At 31 March 2009	<u>19,386</u>	<u>13,339</u>	<u>-</u>	<u>-</u>

There were no potential liabilities for deferred taxation not provided for at either 31 March 2009 or 31 March 2008 other than as described in note 26.

Deferred tax assets not provided for are as follows:

	2009 £	2008 £
Revenue losses	314,000	314,000
Capital losses	<u>2,063,000</u>	<u>2,063,000</u>

The deferred tax assets have not been recognised in the accounts due to the uncertainty or timing of future gains or profits against which they could be used.

18 Share capital

	2009 £	2008 £
Authorised 25,000,000 ordinary shares of £1 each	<u>25,000,000</u>	<u>25,000,000</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>15,149,745</u>	<u>15,099,745</u>

During the year the company issued 50,000 ordinary shares of £1 for a total consideration of £50,000 in connection with the acquisition of Day + One Limited.

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19 Reserves - group

	<b>Profit and loss account £</b>
At 1 April 2008	3,631,733
Loss for the year	(918,444)
Actuarial loss	(6,200,000)
At 31 March 2009	<u><u>(3,486,711)</u></u>

Reserves - company

	<b>Profit and loss account £</b>
At 1 April 2008	2,562,430
Loss for the year	(18,964)
Actuarial loss	(6,200,000)
At 31 March 2009	<u><u>(3,656,534)</u></u>

20 Commitments under hire purchase and lease purchase agreements

Future commitments under hire purchase and lease purchase agreements are as follows:

	<b>2009 £</b>	2008 £
Amounts payable within one year	<b>28,925</b>	29,914
Amounts payable between two to five years	<b>10,111</b>	22,458
	<u><u><b>39,036</b></u></u>	<u><u>52,372</u></u>

21 Reconciliation of movements in shareholders' funds

	<b>Group 2009 £</b>	Group 2008 £	<b>Company 2009 £</b>	Company 2008 £
(Loss)/profit for the year	<b>(918,444)</b>	1,172,573	<b>(18,964)</b>	(53,703)
Shares issued during the year	<b>50,000</b>	-	<b>50,000</b>	-
Actuarial (loss)/gain	<b>(6,200,000)</b>	1,300,000	<b>(6,200,000)</b>	1,300,000
Net (reduction)/addition to shareholders' funds	<b>(7,068,444)</b>	2,472,573	<b>(6,168,964)</b>	1,246,297
Opening shareholders' funds	<b>18,731,478</b>	16,258,905	<b>17,662,175</b>	16,415,878
Closing shareholders' funds	<u><u><b>11,663,034</b></u></u>	<u><u>18,731,478</u></u>	<u><u><b>11,493,211</b></u></u>	<u><u>17,662,175</u></u>

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22 Net cash inflow/(outflow) from operating activities

	2009 £	2008 £
Operating (loss)/profit	(307,186)	1,809,053
Depreciation	153,924	123,923
Amortisation and impairment	456,251	189,735
Movement in stocks	3,244,574	(3,536,194)
Movement in debtors	881,185	(841,534)
Movement in creditors	(2,423,929)	1,580,077
Movement in provisions	(16,500)	(812,658)
Loss/(Profit) on disposal of fixed assets	8,239	(5,083)
Pension contributions	(400,000)	(400,000)
Net cash inflow/(outflow) from operating activities	<u>1,596,558</u>	<u>(1,892,681)</u>

23 Reconciliation of net cash flow to movement in net debt

	2009 £	2008 £
Decrease in cash in the year	(669,004)	(1,242,202)
Cash inflow/(outflow) from financing	417,294	(1,062,732)
Change in net debt arising from cash flows	(251,170)	(2,304,934)
Net cash acquired with subsidiary	20,310	-
Loans and finance leases acquired with subsidiary	(37,328)	-
Movement in the year	(268,728)	(2,304,934)
Net debt at 1 April 2008	(2,529,953)	(225,019)
Net debt at 31 March 2009	<u>(2,798,681)</u>	<u>(2,529,953)</u>

24 Analysis of changes in net debt

	At 1 April 2008 £	Acquisition £	Cash flow £	At 31 March 2009 £
Cash at bank and in hand	1,430,885	60,659	(594,667)	896,877
Overdraft	-	(40,349)	(74,337)	(114,686)
	<u>1,430,885</u>	<u>20,310</u>	<u>(669,004)</u>	<u>782,191</u>
Debt due within one year	(3,908,466)	-	376,069	(3,532,397)
Debt due after one year	-	(26,535)	17,096	(9,439)
Finance leases due within one year	(29,914)	(6,768)	7,757	(28,925)
Finance leases due after one year	(22,458)	(4,025)	16,372	(10,111)
Total	<u>(2,529,953)</u>	<u>(17,018)</u>	<u>(251,710)</u>	<u>(2,798,681)</u>

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## 25 Capital and other commitments

At 31 March 2009, a subsidiary company had committed to expenditure of £259,000 in relation to upgrading its IT systems.

The Group had no other capital commitments at 31 March 2009 or 31 March 2008.

## 26 Contingent liabilities

In the past, when the Milk Marque business traded as an Industrial and Provident Society, distributions of profit were made to members of the co-operative on the basis of milk quantities traded in the previous year.

On 28 June 2000 a profit distribution was declared amounting to £20,120,000, but payment was deferred pending the outcome of the Society's fundamental restructuring.

No payments have been made and, according to Members' Resolutions of 27 September 2005 and 12 October 2005, £15,049,000 of the undistributed deferred profit distribution was capitalised into share capital of Milk Marque Limited, now Community Foods Group Limited.

The directors have an absolute power to abate or cancel any undistributed deferred profit distribution, now amounting to £5,071,000. The directors have not exercised this power and there is no present intention of doing so.

If at a future date the deferred profit distribution were ever to be abated, a tax liability would be incurred. The amount would be dependent upon the availability of tax losses to offset at the time. The maximum liability is estimated to be £1,419,880

As described in Note 9 a maximum liability of £30,000 exists in respect of a business acquired on 18 March 2008.

As described in Note 11 a maximum liability of £50,000 exists in respect of the acquisition of Day + One Limited.

There were no other contingent liabilities at 31 March 2009 or 31 March 2008.

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27 Pensions

Community Foods Group Limited participates in a UK defined benefits pension scheme, the Milk Pension Fund, which is funded by contributions from employees and participating employer companies.

The other participating employers are Genus plc, National Milk Records plc, First Milk Limited, Dairy Farmers of Britain Limited, Milk Link Limited and hauliers associated to First Milk Limited, Dairy Farmers of Britain Limited and Milk Link Limited.

The scheme's assets are held separately from the company and are administered by the Trustees and managed professionally.

Analysis of the amount charged to operating costs:

	2009 £	2008 £
Current service cost and post service benefit improvements	-	-

Analysis of the amount charged to other finance costs

Expected return on scheme assets	6,500,000	6,700,000
Surplus not recognised	-	(400,000)
Interest on scheme liabilities	<u>(6,900,000)</u>	<u>(6,300,000)</u>
	<u>(400,000)</u>	-

Analysis of the amount recognised in the statement of total recognised gains and losses

	2009 £	2008 £
Actual return less expected return on scheme assets	(20,700,000)	(6,400,000)
Change in assumptions	10,900,000	10,200,000
Pension surplus not recognised	-	(1,800,000)
Reversal of previously restricted pension surplus	2,100,000	-
Experience gains and losses arising on scheme liabilities	<u>1,500,000</u>	<u>(700,000)</u>
	<u>(6,200,000)</u>	<u>1,300,000</u>

Movement in deficit during the year

	2009 £	2008 £
Deficit in scheme at 1 April 2008	-	(1,700,000)
Movement in year:		
Service cost	-	-
Other finance costs	(400,000)	-
Actuarial (loss)/gain	(8,300,000)	1,300,000
Reversal of previously restricted pension surplus	2,100,000	-
Contributions	<u>400,000</u>	<u>400,000</u>
Deficit in scheme at 31 March 2009	<u>(6,200,000)</u>	-

The future cash contributions to the fund have been set at £105,000 per annum to fund the scheme and £329,000 per annum in respect of the fund's expenses. This obligation is set for the next eight years but will be reviewed on a regular basis by the Board in discussion with the Trustees of the scheme.

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#### Pensions (continued)

The Milk Pension Fund contains several participating employers, but as at the valuation dates, there is no formal division of assets and liabilities between the employers. However for the purpose of setting contribution rates, the assets and liabilities of the Fund are notionally allocated between employers, and the FRS 17 results have been calculated on the basis of this notional division.

The value placed on the liabilities of the scheme as at 31 March 2009 is based on the actuarial valuation undertaken on 31 March 2006. The scheme assets are stated at their current bid price at 31 March 2009. The liabilities have been updated by Aon Consulting to take account of changes in economic assumptions, in accordance with FRS 17.

The financial assumptions used to calculate scheme liabilities under FRS 17 are:

	2009	2008	2007
Discount rate	7.0%	6.6%	5.5% pa
Price inflation	2.9%	3.6%	3.0% pa
Salary growth	3.9%	4.6%	4.0% pa
Pension increases (except on pre 88 GMP)	2.5%	2.9%	2.5% pa

The post-retirement mortality assumptions used to value the benefit obligation at 31 March 2008 and 31 March 2009 are based on the PMA92/PFA92 tables, birth year with medium cohort improvements and mortality rates at all ages increased by 25%. The life expectancy of a male member reaching age 60 in 2009 is projected to be 25.1 years compared to 25.0 years for someone reaching 60 in 2008. The life expectancy of a female member reaching age 60 in 2009 is projected to be 27.9 years compared to 27.9 years for someone reaching 60 in 2008.

The expected rate of return on plan assets is based on 6.2% (2008: 6.4%) and is calculated as the weighted average of the expected returns on each individual asset class. The expected returns are set by reference to market indicators, including price inflation, dividend yields, economic growth, yields on index -linked gilts and bonds and interest rates.

For the year ended 31 MARCH 2009

Pensions (continued)

Details of the assets of the scheme, the expected rate of return and the resulting net pension deficit are set out below:

	2009		2008		2007	
	Expected long term rate of return %	Asset value £,000	Expected long term rate of return %	Asset value £'000	Expected long term rate of return %	Asset value £'000
Fixed interest gilts	3.8%	100	4.5%	800	4.8%	3,500
Index linked gilts	3.8%	33,200	4.5%	50,900	4.8%	51,600
Equities	8.3%	36,600	8.3%	49,200	7.8%	51,300
Bonds	7.0%	17,500	6.9%	7,900	5.5%	8,200
Cash	0.5%	1,700	5.3%	1,100	5.4%	1,200
Total market value of assets		89,100		109,900		115,800
Present value of scheme liabilities		(95,300)		(107,800)		(117,500)
(Deficit)/surplus in scheme		(6,200)		2,100		(1,700)
Related deferred tax asset		-		-		-
Pension (liability)/surplus		(6,200)		2,100		(1,700)
Irrecoverable surplus written off		-		(2,100)		-
Net pension liability		(6,200)		-		(1,700)

In compliance with the provisions of FRS 17, the actuarial scheme surplus of £2.1m at 31 March 2008 was not recognised as an asset in the company's balance sheet.

In accordance with FRS 17, £400,000 of this surplus was written off to the profit and loss account to restrict the expected return on scheme assets so that it does not exceed the interest arising on the scheme liabilities. The remaining £1.8m was treated as an actuarial loss and written off to the statement of recognised gains and losses.

In the year to 31 March 2009 the previously restricted pension asset of £2.1m was recognised. In accordance with FRS 17, this amount was recognised within the statement of recognised gains and losses.

For the year ended 31 MARCH 2009

### Pensions (continued)

The history of experienced gains and losses is as follows:

	2009	2008	2007
Difference between the expected and actual return on scheme assets:			
Amount (£'000)	(20,700)	(6,400)	(1,200)
Percentage of scheme assets (%)	(23.0%)	(6.0%)	(1.0%)
Experienced gains and losses on scheme liabilities:			
Amount (£'000)	1,500	700	400
Percentage of the present value of the scheme liabilities (%)	2.0%	(1.0%)	(0.3%)
Total amount recognised in statement of total recognised gains and losses:			
Amount (£'000)	(6,200)	1,300	(2,300)
Percentage of the present value of the scheme liabilities (%)	(6.5%)	1.2%	(2.0%)

Changes in the amounts recognised in the statement of total recognized gains and losses (STRGL):

	2009 £	2008 £
Cumulative STRGL at 1 April 2008	2,600,000	1,300,000
Actuarial (losses)/gains	(6,200,000)	1,300,000
Cumulative STRGL at 31 March 2009	<u>(3,600,000)</u>	<u>2,600,000</u>

## 28 Leasing commitments

The group has an annual commitment under non-cancellable operating leases which expire as follows:

	2009		2008	
	Land and buildings £	Plant and machinery £	Land and buildings £	Plant and machinery £
Between one and five years	<u>510,600</u>	<u>90,383</u>	<u>360,000</u>	<u>65,616</u>

The operating lease payments due in the 12 months after the balance sheet date are £616,937 (2008: £435,246).

## 29 Forward exchange contracts

As at 31 March 2009 contracts outstanding in the ordinary course of business for the future supply of foreign currency amounted to £1,967,509 (2008: £2,834,613).

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30 Transactions with directors and other related parties

The company has taken advantage of the exemption in Financial Reporting Standard No 8 "Related party disclosures" and has not disclosed transactions with group undertakings.

There are no other related party transactions.