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**Jersey Milk Marketing Board**

Report and Financial Statements

31 March 2008

# Jersey Milk Marketing Board

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## Jersey Milk Marketing Board

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RESULTS AT A GLANCE  
For the 12 months ended 31 March 2008

	<b>12 months ended 31 March 2008 £'000</b>	<b>12 months ended 31 March 2007 £'000</b>
Turnover	10,175	9,747
Operating surplus before interest, distributions & exceptional items	5,171	4,861
Net surplus/ (deficit) before exceptional items & producers leaving scheme	265	(204)
Deficit after distributions	(187)	(314)
Net debt	(2,585)	(2,966)
Milk intake in litres '000s	13,348	14,144
Number of registered producers at year end	28	33
Number of dairy employees at year end	66	67
	<b>Pence per Litre</b>	<b>Pence per Litre</b>
Revenue	76.2	68.9
Operating costs – as adjusted*	(37.5)	(34.5)
Surplus after interest and before distributions	36.3	32.2
Surplus before interest, distributions & exceptional items	38.7	34.4
Distribution – for conventional milk	(35.3)	(33.8)

Note: Pence per litre figures are based on total milk intake from producers.

\* - Excludes exceptional items

# Jersey Milk Marketing Board

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## Board details

For the 12 months ended 31 March 2008

### MEMBERS OF THE BOARD

A Le Gallais\* Chairman  
R H Le Boutillier\* Vice Chairman  
B G Foulser\* a  
R H Henkhuzens\* a (Resigned 31.05.07)  
J M King \*a  
R C Lee  
T H Barette  
J Le S Gallichan (Resigned 19.03.08)  
I H Mitchell  
P M Houze  
R Leith  
Mrs S Le Feuvre

\* Member of Executive Committee      a Economic Development Department appointed member

All the members of the Board are non-executive members.

### DIRECTORS AND SENIOR MANAGEMENT

K C Keen (Retired 29.08.07)	Managing Director
E P Fenlon FCA (Appointed 29.08.07)	Managing Director
C T C Journeaux Dip M MCIM, Chartered Marketer	Head of Sales & Marketing
D B Parmiter	Head of Production
A Reed	Head of Human Resources & Distribution
Mrs J Wyatt	Head of Quality
A Cox (Appointed 13.08.07)	Project Manager
J Quenault (Appointed 03.09.07)	Financial Controller

### AUDITORS

Alex Picot  
Chartered Accountants  
95 – 97 Halkett Place  
St Helier  
Jersey  
JE1 1BX

### BANKERS

HSBC Bank Plc  
2 Hill Street  
PO Box 14  
St Helier  
Jersey  
JE4 8NJ

### STATUTORY OFFICE

Jersey Dairy  
Princes Tower Road  
Five Oaks  
St Helier  
Jersey  
JE2 7UD

### BOARD SECRETARY

E P Fenlon FCA

# Jersey Milk Marketing Board

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## CHAIRMAN'S REPORT

For the 12 months ended 31 March 2008

I am extremely pleased to be able to report a considerable improvement in the annual financial results for Jersey Dairy for the year ending 31<sup>st</sup> March 2008 compared to previous years. Before exceptional items and payments to producers leaving the scheme a surplus of £265k has been achieved compared to a loss of £204k for the previous financial year; a turnaround of nearly £470k.

### **Financial Overview**

These improved results have largely derived from improved turnover within the business, with the return per litre processed improving by over 10% compared to the previous trading year; this amply demonstrates not only the improved world dairy market prices but, particularly, the increasing proportion of Jersey Dairy's export products attracting added-value prices in the important quality dairy product market. However, one must not lose sight of the fact that whilst turnover has increased, the improved trading results also derive from continuing control of pre-exceptional costs at the Dairy, a philosophy firmly implanted in Jersey dairy's trading ethos by Kevin Keen and successfully continued under the direction of Eamon Fenlon. This has proved once again that cost control has been kept below the rate of inflation in the Island.

These results have also translated into significant positive improvements in trading cash flow resulting in a level of Net Debt at the year end of £2,585,000, a decrease of £381,000 for the year in question.

For reasons which will be explained later in this report, annual milk intake into the Dairy reduced from 14.1 million litres to 13.3 million litres and the number of producer supply members of the Co-operative reduced by 5 to 28 producers by the year end. Due to the combination of all these factors, the average price paid for conventional milk improved from 33.8 pence per litre to 35.4 pence per litre, an increase of nearly 5%.

The year to 31<sup>st</sup> March 2008 has therefore again reflected a period of determined progress towards achieving our strategic aims, most notably improved returns from the export trade and pursuit of our plans for the relocation of the Dairy to new modern premises at Trinity.

### **Transition to Voluntary Co-operative**

My last annual report was written in the beginning of June 2007 at a time when the Board had agreed to a transition process towards the formation of a voluntary co-operative as opposed to the statutory arrangements which had been in place since the inception of the Milk Marketing Scheme in 1954; it was also the time that the Chief Minister had just instigated a process of mediation between parties who held different views as to the future direction and structure of the Dairy Industry.

This mediation process was led by Advocates John Kelleher and Alex Ohlsson, senior partners at Carey Olsen, in which a signed agreement, subject to time limited ratification, was reached with Classic Herd Ltd, who wished to leave the JMJB. Subsequently, this agreement could not be agreed within the timescale previously set out and on 18<sup>th</sup> July Classic Herd Ltd decided to process all the milk which they produced on their own premises and the JMJB therefore no longer collected any of their surplus production. At the time, no consensus could be reached with the representatives of the 'corporate proposal', who wished to see the Co-operative replaced with a corporate structure aligned to Jersey Royal (Potato Marketing) Ltd.; however, during the year, a much greater understanding has been reached as to the strategic intentions of the Board.

As part of the process of changing the structure of the Co-operative, the Board decided in August to create a separate independent entity to oversee the commercial management of the Dairy, to be responsible to the Board. Jersey Dairy Ltd (JDL) was subsequently formed to operate alongside the workings of the Executive Committee of the Board under the chairmanship of Brian Foulser and members, John King, Alan Hinton (with extensive dairy processing experience in the UK) together with Eamon Fenlon, managing director and

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## CHAIRMAN'S REPORT

For the 12 months ended 31 March 2008

Christopher Journeaux, head of sales and marketing. A large part of the improved financial performance for the second half of the year is due to the delegation of these commercial responsibilities to the experienced, independent directors of JDL.

The Board has been extremely fortunate that Advocate John Kelleher has continued to be engaged to assist the discussions between the Board and Govt., as to how best to effect structural change as requested by the Chief Minister in February, 2007. In December, William Neville, a senior partner of Burgess Salmon, a legal firm based in Bristol specialising in de-regulation procedures, was invited to the Island to examine the Board's position and recommend a formal process of transition. A proposal is currently being studied which ultimately could deliver the key objectives as set out by the Chief Minister.

In preparation for this change, the Board have recently agreed and explained to producers fundamental changes to the ownership of licensed litres which will mean that as of 1<sup>st</sup> April 2009, ownership and allocation of these litres will transfer from producers to JDL. The implication of this decision will mean that registered producers have until this date to trade litres between themselves at whatever mutual value is agreed. On 1<sup>st</sup> April, 2009 each registered producer will be allocated licensed litres according to the amount owned by them on the day before, 31<sup>st</sup> March, the last day of the previous licensed year. Thereafter, licensed litres will be allocated by the independent directors to producers according to clearly stated principles in line with future market requirements; on retirement, licensed litres will be returned to JDL at no value, neither will committed milk producers incur the cost of purchasing additional litres in the future. In moving to this position, the future contractual arrangements for milk suppliers of the Co-operative will be with JDL.

### **Progress with Relocation of the Dairy to Trinity**

This project has clearly dominated the agenda of the Executive Committee during the year. 'Heads of Terms' for the sale of the Five Oaks site was discussed some months ago and is currently being updated. Following the partial abrogation of the covenant at the Howard Davis Farm, in January 2007, for the land on which the new dairy will be built, extensive discussions have taken place with the Treasury and Resources Ministry resulting in 'heads of terms' being drafted for a 99 year lease with a further option of another 45 years. The details of this lease are still under discussion and safeguards to protect the Co-operative's substantial investment against potential fundamental change of States policy towards the Dairy Industry leading to a change of use of the facilities are to be addressed in a new proposition to abrogate the whole of the covenanted area and thus regularise Govt's current use of the Farm. To this end, constructive dialogue has been made during the year with members of the Davis family from around the world, who understand our concerns and are resolute in their desire to see a viable future for Jersey's Dairy Industry. It is hoped that the rent which is agreed to be paid into the new Trust Fund, administered by the Davis family, will actively promote the original wishes of their generous forebear, T. B. Davis.

Alongside these discussions, the management team at the Dairy have led extensive discussions with various consortia who have sought to deliver a new dairy within a turn-key project. The decision as to the detailed composition of the final consortium is to be agreed imminently along with a clearer indication as to the overall cost of the project. Amended details to the exterior design and scope of the building have been passed within a revised planning application to the Minister and it is to be hoped that construction on site will begin in August with completion in just over twelve months.

### **Adjustment to Milk Intake**

As mentioned earlier in my report, the Board decided in September to reduce milk intake capacity by 2 million litres so as to align production more accurately to market demand whilst allowing those producers who wished to, to retire from the Industry. Four producers, including the Island's largest producer, to sell back their licensed litres, a process led by the independent Board members, Brian Foulser and John King. Of the four producers, three

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## CHAIRMAN'S REPORT

For the 12 months ended 31 March 2008

retired over the winter months with the majority of the cattle being shipped to the UK, a process very ably organised by David Hambrook of Jersey Island Genetics; a fourth producer will retire in the Autumn of 2008. In addition to the payment from Jersey Dairy, a 'rolled-up' headage payment will be paid by Govt.

Whilst matching intake more closely to market demand, this reduction in milk production capacity necessitates a more even seasonal supply to the Dairy; monthly pricing for this financial year will reflect this with a differential of at least 10p/litre between highest and lowest priced months. The Board have also decided to increase the payment for litres supplied in excess of the licensed amount from 1p/litre to a minimum of 14p/litre, in order to reflect market returns. In addition, a new 'use it or lose it' rule has been agreed by the Board whereby producers who regularly under produce over an annual historic three year period by a factor of 5% below their licensed litreage will be required to sell their under produced litres in this licensed year, or return them to JDL in subsequent years.

### **Co-operative Member Services**

With phenomenal increases in farm costs, particularly for feed, fertiliser and energy costs, set to continue for at least the next twelve months, coupled with the need for a long-term sustainable supply of milk to Jersey Dairy, the Board commissioned John Allen, managing partner of Kite Consulting, to prepare a report based on a sustainable milk pricing model as used in the UK with some of the multiple retailers. His first report, after much research, was presented to the Board and to producers in April, which compared, on a butterfat adjusted basis, the financial performance of herds in the Island with those in the considerable Kite database in the UK. The conclusions to this report were that "*the Industry is relying on the loyalty of its producers, depreciation within the units or subsidy from other income streams the farmers may have*"; he also stated that, "*the variable costs do demonstrate that the Jersey dairy farmers are efficient milk producers from feed and forage and compare very well with the Kite average*".

In order to begin to rectify this situation, Kite recommended a 4.8p/litre increase in producer price for this financial year with a further review of on-farm costs in July when more would be known on forthcoming price increases. The budget for this licensed year, approved by the Board, incorporates the recommended producer price increase of Kite's.

In addition, the Board have led an initiative in marketing cull cows out of the Island and intend to develop compliant facilities on-Island to add value to the local Jersey beef carcass. With the closure of the Farm Secretarial Service by the Economic Development Department, along with the advent of Goods and Services Tax (GST), the Board has decided to offer its own secretarial service to members of the Co-operative and is very pleased to have secured the services of Rosemary Boleat, the former senior farm secretary at EDD, to provide this.

### **Access to Proven World-Wide Genetics**

The Council of the RJA&HS has led the initiative to persuade the Chief Minister to bring a proposition to the States Assembly seeking a change to the Artificial Insemination Law so as to allow the importation of semen into the Island, opening up access to the world-wide pure Jersey genetic gene pool, so that breeders in the Island can attain the substantially improved rates of genetic improvement that our competitors benefit from. P43/2008 was lodged by the Chief Minister in March with debate due in April; this was postponed pending a Scrutiny Review which is currently being ably led by Deputy Patrick Ryan. Genetic improvement of our Island cow is part of the 'third pillar' of the Board's 'Road Map to Recovery', namely improving farm efficiency and while its effect will take time to manifest, the long-term benefits to dairy farm profitability are essential if a truly viable future is to be achieved. Over 75% of milk supply is from dairy farms whose principals support a change to the Law and the Board has already submitted a comprehensive report to the Scrutiny Panel and intend to play a full part in the dialogue and discussions leading up to the debate itself on 15<sup>th</sup> July.

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## CHAIRMAN'S REPORT

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### **Economic trends beyond our shores**

Mention has already been made of the phenomenal rise in cattle feed prices around the world; this however is not the only cost which is escalating way above historic trends and way above the average retail price indices in developed nations: the price of a barrel of oil is predicted to reach 150 dollars by the end of the summer with all the knock-on effects which will derive; that these prices remain high, partly as a consequence of hedge fund speculation, makes it all the more sickening for those of us in primary industry such as dairy farming. What makes matters worse is the 'ripple-down' effects of the credit crisis, which began in America last summer and is now blighting many small businesses with a high level of gearing.

Much as one can debate the ethics of market-led economies, one cannot ignore them and John Allen, in a recent paper at the World Jersey Cattle Bureau conference in the Island, described how the surge in worldwide dairy commodity prices in the second half of last year was caused by a 0.3% imbalance between demand and supply. With demand predicted to just outstrip supply in the near future, one could argue that dairy prices will remain at high levels, but, as Peter Kendall, the president of the NFU, reminded us at the same conference, with such a fine line between an under and over supplied market, the trend will be towards greater volatility in farm gate prices, as is being experienced within many countries in the European Union; with the reservoir of genetic potential coupled with the rapidly increasing scale of on-farm production, it is little wonder that the ability for some jurisdictions to 'turn on the taps' and boost milk supply will be ever prevalent.

The Island of Jersey's Dairy Industry cannot be immune from these trends and challenges and it will continue to be the role of the Board, JDL and Jersey Dairy to secure the best possible prices, within competitive markets, for all our products so as to try to even out the effects of the inevitable future market volatility and thereby consistently improve returns to our milk supplier members.

### **Appreciations**

At last year's Annual General Meeting, Richard Lee, Richard Le Boutillier and myself were re-elected to the Board for a three year term; Rob Stevenson decided not to seek re-election and the Board thanks him sincerely for his contributions over a 4 year period. Following the adjustment to Milk Intake scheme, John Gallichan decided to retire from dairy farming on 19<sup>th</sup> March having participated enthusiastically as a member of the Board for 10 years; we wish him and his family every success for the future.

Yet again, throughout the year, I have been most fortunate to enjoy the support and advice of all Board members during a period of continuing challenge to deliver our strategic aims; most particularly, the wise council of Brian Foulser, John King and Richard Le Boutillier have made an immeasurable difference to the effective delivery of the Executive Committee's responsibilities. In turn, the management team have striven particularly hard to seek opportunities to improve the performance of the Dairy whilst also pursuing the added responsibilities of the relocation process. During a large gathering at the Dairy of staff and producers at the end of August we were able to celebrate the exceptional contribution Kevin had made to turning around Jersey Dairy, during nearly five years as managing director, and instilling the confidence and motivation with everyone he worked with to face up to the challenges of the future. I would like to congratulate Eamon for the very able and enthusiastic manner in which he has taken up his responsibilities as new managing director, continuing on the foundations set by Kevin particularly with regard to instilling good communications with the staff at the Dairy, producers and our customers.

The Board has benefited during the year from top level advice from many individuals, in particular John Kelleher, John Allen, William Neville and Michael Lambert for which we are both fortunate and grateful. Our rapport with the Council of the RJA&HS becomes stronger each year due especially to the professional relationship with all the team in the office,



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### CHAIRMAN'S REPORT

For the 12 months ended 31 March 2008

capably led by James Godfrey. The culmination of Derrick Frigot's very successful six years as president of the Society was his effective chairmanship of the WJCB conference programme in May when the Island hosted nearly 300 delegates from around the world; I have been fortunate to have enjoyed tremendous support from Derrick over these formative times and I look forward to working closely with Stephen Le Feuvre in the future.

Lastly, I would like to thank all the producer members of the Co-operative for their perseverance, diligence and determination in what have been, and will continue to be, challenging times. Many of our key strategic aims as set out in the Road Map for Recovery are beginning, after so much work, to come closer to fruition. Most particularly, the all-important gap between the retail prices of milk in the Island to that of the UK have narrowed considerably during the year putting us in a stronger and more competitive position; so much more could be achieved in sustaining this for the future with decisive support from Government and the States Assembly.

**Andrew Le Gallais**

**Chairman**

A handwritten signature in black ink, appearing to read 'Andrew Le Gallais', with a period at the end. The signature is written in a cursive, flowing style.

**13<sup>th</sup> June 2008**

# Jersey Milk Marketing Board

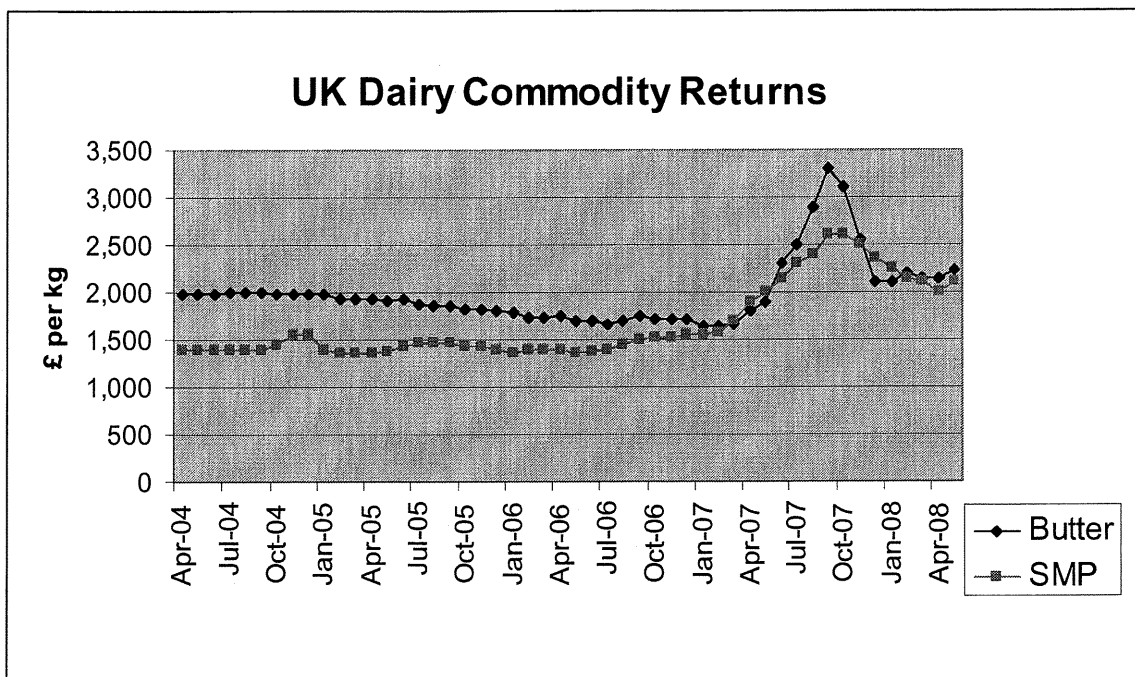
## MANAGING DIRECTOR'S REPORT For the 12 months ended 31 March 2008

The Operating surplus before interest, distributions and exceptional items was up by £311k (6%) from £4,861 to £5,171.

The main driver for this improvement in results was the increased prices per kilo we received on our exports of skim milk powder and butter together with improvements in the elimination of waste and improvement in efficiencies throughout all aspects of the business

### Industry trends

The past year has seen some of the most volatile times ever for dairy products. World stocks effectively ran out last summer and this led to commodity prices doubling over a nine month period. Although world prices eased over the winter, they are still running at significantly higher than at the same time last year and are currently on the rise again. The coming year may not be as volatile as last year but there is significant uncertainty as to what will happen in the world markets.



Despite the fall in dairy commodity prices from the dizzy heights of last year, processors in the UK are having to pay more for their milk supplies, basically because of declining milk production, which is as a result of producers not being paid a sustainable price for their production, i.e. a price that gives efficient producers a reasonable return on their business which also allows them to reinvest back into their business.

The overriding factor in the UK market is simply one of supply and demand. As milk production continues to fall the competition for milk supplies will get more intense and processors will have to pay more to get it. This is what is happening now resulting in the recent 4.4p increase in the retail price of a litre of milk in the UK following the 10.6p increase last October, an overall increase of 15p or 31%. Farming is no longer a cost plus industry.

Outside the UK prices paid to producers are more volatile and follow commodity markets more closely and the recent protests in Europe were as a result of this.

Soaring oil prices are driving unprecedented increases in costs on farms for fuel, energy, and shipping costs, with more to come.

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## MANAGING DIRECTOR'S REPORT For the 12 months ended 31 March 2008

### **Intake and distribution to producers**

Following the recent exit of three producers from the industry in Jersey the projected intake for the next year is 11.8m litres down from 13.3m litres. The projected intake in the low production months, November and December, could be just sufficient to cover the requirements for the local market assuming no supply problems arising from herd health problems, etc. If any more significant volumes were to leave the industry Jersey may be unable to maintain self sufficiency in milk supply. Thus if we want to have a self sufficient supply of milk in Jersey it is essential that our producers are paid a sustainable price for their production to encourage them to remain in the industry.

Intake in the year totalled 13.34m litres. If we exclude the milk supplied by the three producers who exited the industry during the year, as part of the intake reduction scheme, the total was 11.77m litres. The quota for the coming year totals 11.99m litres.

Distributions to producers totalled £4,708k. The average price per litre on conventional milk was 35.3p per litre up from 33.8p.

### **Branding**

Our new look branding is working well for us and we intend to roll it out across our creams and ice cream. We will also focus on re-branding our butter and milk.

### **Local market**

Liquid milk net sales totalled £7.56m up £28k on last year and accounted for 74% of total sales and 68% of the intake. On 1<sup>st</sup> February 2008 Jersey Dairy increased the wholesale price for liquid milk increased by 2p a litre. The last increase in the wholesale price of liquid milk was in October 2002 (2p) which was reversed in November 2004. Compared to the increase of 15p per litre in the UK since last October the 2p increase in Jersey looks very restrained and proves that we do not look for "unchallenged" price increases. We continue to look to our own cost base first before looking for a price increase.

Cream sales were down in value but the average return per litre was increased. The new branding should help retail sales and our emphasis will be on the freshness and quality of the product which has improved.

Packaged butter sales were up as was the return per kilo. Our pricing strategy, where we are cheaper on shelf than our major competitors, has lifted volumes and should continue to do so.

Yogurt sales were down in volume but the average return per litre was increased. The 500ml pots now carry the new branding and there is a concerted effort to increase distribution and availability, which should benefit volumes.

Despite the poor summer in 2007 ice cream sales were only slightly down. Our goal is to be the first ice cream of choice for visitors and Islanders and the new pots in the new branding will assist this. We intend to introduce 500ml and 100ml pots into the range along with new flavours. The introduction of our soft mix ice cream should be successful and we will also see heavy support in merchandising for our ice cream.

Cheese sales suffered this year due to quality and availability problems with the outsourced production from Guernsey Dairy. We are now outsourcing production with Ashley Chase Estate (Ford Farm) in Dorset who are award winning specialist cheese makers. The first packs of Le Frommage Jersey Farmhouse Cheddar are currently on the shelves in Jersey and it is a much improved product, winning two awards at the recent World Jersey Cheese Competition at the Foire de Jersey.

We intend to increase our store sampling activity in 2008 and will use our new Jersey Dairy stand to enhance this activity where possible.

### **Exports**

In the year to 31/03/08 the return per kilo on exports skim milk powder and butter were up significantly on the previous year.

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## MANAGING DIRECTOR'S REPORT For the 12 months ended 31 March 2008

Over the year we successfully achieved our objective of elevating our bulk butter first from bulk standard to bulk quality and finally to bulk Jersey Butter. The world market price has fallen away from the highs of 2007 but our strategy has delivered considerable price protection. Our objective, is to maintain this whilst pursuing pack butter contracts to move out of bulk entirely.

As mentioned above the past year has seen some of the most volatile times ever for dairy products and whilst the coming year may not be as volatile there is significant uncertainty as to what will happen in the world markets. However as a result of the reduction in intake scheme and the elevation of our butter out of the commodity market, the amount of milk we have going into commodity market products will be significantly lower.

We have four core objectives in the coming year:

- to build sales on current business
- to move yogurts into another UK multiple
- to secure nationwide UK distribution for all products
- to introduce ice cream through distribution and / a major retailer.

The first butter sale into Marks and Spencer was delivered in April 2008 and is performing extremely well. Our objective is to increase our trade with this and other prestigious customers and we are in long-running discussion with a number of these.

Our trial with ASDA on yogurts is now complete and we are actively pursuing an increase in the number of stores to drive financially significant business. The trial has taught us a great deal about the process of supplying a major UK.

In February 2008 our yogurt came very close to winning the Grocers Branded Excellence award for dairy yogurts and pot desserts.

In April 2008 we took our stand to the Food and Drink Expo in Birmingham and the Real Food Festival in London and we will also have our stand at the Speciality Food Expo in London in September 2008. These events increase our profile and offer direct contact with new and current customers.

### **Operating costs**

During the year significant progress was made in the elimination of waste and improvement in efficiencies throughout all aspects of the business and we continually challenge all processes and operating costs.

As a result of the intake reduction process during the year we have reduced our labour and fuel costs in line with the target; however we continue to face dramatic increases in our input costs, particularly on fuel and energy, as a result of the soaring oil prices.

The charge to the profit and loss account for the movement in stocks was £12k. In the previous year, primarily due to an increase in the unit values of finished goods stock, there was a credit of £86k in the profit and loss account. The affect of this between the two years was £98k.

The provision for engineering stocks was increased by £35k, eliminating the value we were carrying these at.

Freight costs increased by £54k primarily because of the increased volumes of skim milk powder and butter sold at prices delivered to the UK as opposed to ex factory. This was done to increase the competition for these products and the freight was significantly more than covered by the increase in prices we received for these products.

### **Exceptional items**

The exceptional items totalled £133k which is primarily made up of redundancy payments and costs relating to the new dairy project.

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## MANAGING DIRECTOR'S REPORT For the 12 months ended 31 March 2008

### **Interest payable**

Despite the higher interest rates last year over the previous year, charges last year totalled £198k against £201k in the previous year. This was as a result of the reduction in our borrowings over the year. These charges are still significant and the sale of the Five Oaks site will eliminate these in the first year and hopefully thereafter, if not at a significantly reduced amount.

### **New product development**

Our commitment to produce premium quality products and the development of new products will be given a greater emphasis in the coming year and we will continue to examine ways of improving our existing range.

### **School scheme**

We are embarking on an educational scheme in the new school year to take primary school children out of the class, up to Hamptonne, to learn about dairy farming and the value of milk. The objective is to re-connect Jersey children with the source of a vital food. We have a teacher to take the sessions and the support of Education. We expect to receive external funding for this project.

### **Net Debt**

Net debt decreased over the year by £381k (13%) from £2,966k to £2,585k. The first payment in relation to the intake reduction scheme during the year was £160k, thus before accounting for this, net debt decreased by £541k (18.2%). Capital expenditure totalled £187k of which £84k related to an UHT processing plant for the new dairy which we purchased at a very favourable price and £54k related to a new Renault delivery truck.

### **New Dairy at Howard Davis Farm in Trinity**

We are aiming to commence construction of the new dairy this summer and would expect this to be completed within 12 to 15 months from the date of commencement. The sale of the Five Oaks site will coincide with the signing of the turn-key contract to construct a new fit-for-purpose dairy and associated external works and the site lease agreement.

The new factory will be hugely important to the development of our export market as the customers we are targeting will be more impressed with a new and modern state of the art factory than the current old and tired factory which, to say the least, is not aesthetically pleasing on the eye.

### **PDO application**

Jersey Dairy has taken the first steps to have Jersey butter approved under the European Protected Designation of Origin (PDO) scheme. The EU scheme identifies regional and traditional foods whose authenticity and origin can be guaranteed, and aims to safeguard them. A named food or drink which has been registered as PDO is given legal protection against imitation throughout Europe.

The PDO application will help the consumer identify butter that is 100% Jersey rather than a butter that uses the breed's name to imply that it is part of the Island's unique heritage and tradition of quality. If Jersey Dairy is successful, it will be the first butter in the UK to be awarded a PDO. There are six regional butters in Europe that already have the status.

The application has the unanimous support of the Board of directors of JMMB

### **Importation of bovine semen**

The average annual milk yield per cow in the UK is currently 7617 litres for a Holstein cow and 5469 for Jersey & Guernsey cows. The average annual milk yield per cow in Jersey for the island Jersey cow is currently 4224 litres. On this productivity level, milk produced in Jersey could never be competitive with milk produced from Jersey cows in the UK, let alone milk produced from Holstein cows.

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## MANAGING DIRECTOR'S REPORT For the 12 months ended 31 March 2008

JMMB aims to minimise the gap between the retail price of milk in Jersey, produced and processed from Jersey cows, with the retail price of milk in the UK, produced and processed with milk primarily from Holstein cows. If the States vote not to allow the importation of bovine semen, they must accept that the objective of minimising the retail price difference will be significantly more difficult to achieve.

### **People**

The development of our people will continue to be a high priority and we continue to improve the competency and flexibility of all staff. I would like to thank all my colleagues here at the dairy for their hard work and commitment to the production of quality products and the delivery of a quality service, plus their commitment to eliminate waste and improve efficiencies throughout all aspects of the business.

I would like to thank Kevin Keen for the enormous contribution he has made to Jersey Dairy and the industry during his time as managing director. There have been many changes and developments in Kevin's time here and when he departed, he left Jersey Dairy in a much improved position to deal with the many challenges still ahead.

We all know that change is inevitable and sometimes unpleasant, but the changes Kevin made were both necessary and for the better. Kevin handled these changes in a correct manner. The definition of a great place to work is one where employees "trust the people they work for, have pride in what they do, and enjoy the people they work with" and Kevin made Jersey Dairy a much improved place to work.

Kevin is a unique character and his honesty, professionalism and integrity is second to none and I would like to wish Kevin and his family all the very best for the future and I know he will make a positive difference in whatever he does.

I would like to like to welcome Andy Cox and John Quenault on board who joined Jersey Dairy last August and September respectively. Both have settled in well and have become valuable members of the management team.

I would also like to thank the board, and in particular the members of the executive committee, for the enormous amount of their time they devote to Jersey Dairy, particularly in the last year in relation to the new dairy project and other non trading matters.

### **Managing Jersey Dairy**

During the year a Jersey Dairy executive board was formed to focus purely on the trading operations of Jersey Dairy. This board is chaired by Brian Foulser and the other members are John King, Alan Hinton, Eamon Fenlon & Christopher Journeaux.

This board meets every two months and has been hugely successful and it ensures that the management team are fulfilling their role of managing the resources of the business to achieve the company's strategic and annual business goals and managing the day-to-day operations of the business.

This board also focuses on identifying and managing the principal and emerging risks and uncertainties that face Jersey Dairy.

### **Strategy**

Whilst we have reduced our costs as a result of the intake reduction scheme and through the elimination of waste and improvement in efficiencies throughout all aspects of the business, we are still carrying costs which are greater than would normally be required for an 11.8m litre intake dairy, and we are producing a number of small volume lines which when looked at in isolation are uneconomic. The board has agreed to continue with the strategy to develop a profitable export market for our premium dairy products which will allow producers in the future to profitably increase the volumes produced on their farms. To pursue this strategy it is necessary to carry the higher cost base and to continue to produce the lines we currently produce. These extra costs should be looked at as an investment for the future.

Essentially the objectives of the strategy agreed by the Board are to:

## Jersey Milk Marketing Board

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### MANAGING DIRECTOR'S REPORT For the 12 months ended 31 March 2008

- Realise the value of the site of the Five Oaks site, relocate to a new efficient dairy at Howard Davis Farm and reduce our debt.
- Develop a profitable export market for premium dairy products.
- Minimise the gap between liquid milk prices in Jersey and those in the UK to reduce the potential impact of imports in the future.

These objectives are all intended to support the overall purpose of generating a sustainable return for the producers and allow them to profitably increase the volumes produced on their farms.

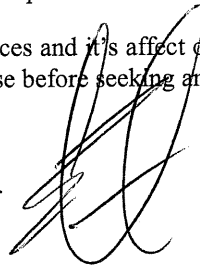
#### **Outlook**

The current year has got off to a good start with the M&S contract for packaged butter and our intention is to build on this success. We know that our products and branding are of superior quality and we are confident that we will get sufficient listings for these products in the UK at prices that will allow producers to profitably increase the volumes produced on their farms, which is essential for the future of the industry.

The soaring oil prices and its affect on our operational costs will be a challenge but we will continue to look at our own cost base before seeking any price increases.

Eamon Fenlon

Managing Director



13th June 2008

# Jersey Milk Marketing Board

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## BOARD'S REPORT

For the 12 months ended 31 March 2008

The Board submits herewith their report and financial statements for the 12 months ended 31 March 2008.

### **STATUTORY INFORMATION**

The Board is established under the Milk Marketing Scheme (approval) (Jersey) Act 1954. At 31 March 2008 there were 28 registered producers.

In accordance with the authority provided under article 33 of the Milk Marketing Scheme (Approval) (Jersey) Act, 1954 ("the Scheme") the Board has enacted two prescriptive resolutions.

Prescriptive resolution number one came into effect on 1st January 1955 and stated that 'all milk sold by registered producers should be sold to the Board'.

Effective from 3rd June 2001, a second prescriptive resolution was passed which stated that 'all milk sold to the Board in excess of licensed quantity, in any period, will be purchased at a price of 1p a litre'.

It has transpired that with the introduction of the Competition (Jersey) Law 2005 (CJL) there may be a potential conflict between these arrangements and the CJL. In order to address this potential conflict the Board has decided to suspend its powers within the first prescriptive resolution; it had also applied for a public policy exemption (PPE) under the CJL in October 2005.

Whilst a PPE has not been issued, the Board has received assurances that a PPE will be granted in the event of any legal action taken against the Board.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Board is the purchase of milk from registered producers and its subsequent conversion into dairy products and the wholesaling and distribution of these products.

### **RESULTS**

The results for the year are set out in the profit and loss account on page 14.

### **BOARD MEMBERS AND EXECUTIVE COMMITTEE**

The members of the Board when these financial statements were produced are shown on page 2.

Messrs P M Houze, R Leith and Mrs S Le Feuvre are due to retire and are eligible for re-election. Mr R H Henkhuzens resigned on 31<sup>st</sup> May 2007. Mr John Gallichan resigned 19<sup>th</sup> March 2008.

The Executive Committee meets at least ten times a year and the full Board meets on at least three occasions throughout the year. Under the terms of the Scheme, three of the Board members are appointed by the Economic Development Department, and they act in a non-executive capacity.

Though the Board retains full control and authority over its activities, a schedule of matters has been delegated to the Executive Committee, which comprises the Chairman, Vice Chairman and Board members appointed by the Economic Development Department.



# Jersey Milk Marketing Board

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## BOARD'S REPORT

For the 12 months ended 31 March 2008

### **BOARD MEMBERS AND EXECUTIVE COMMITTEE (continued)**

The Managing Director attends and participates in all Board and Executive Committee meetings.

### **RESPONSIBILITIES OF THE BOARD**

The Board shall keep proper accounts and in particular shall annually make out a balance sheet and either a profit and loss account or, if the Board does not trade for profit, an income and expenditure account, and shall then cause them to be audited. The auditor shall be appointed by the registered producers in general meeting and, as soon as may be after the auditor has reported thereon, and in any case within three months from the close of the period covered by the profit and loss account or income and expenditure account, as the case may be, the Board shall furnish to the committee and to every registered producer a copy of the account and balance sheet and of the report of the auditor thereon, and also a report by the Board as to the working of this scheme in the period covered by the profit and loss or income and expenditure account together with a statement as to the manner in which any monies of the Board have been invested.

### **SENIOR MANAGEMENT**

The senior management when these financial statements were produced are shown on page 2.

### **AUDIT COMMITTEE**

Members of the Audit Committee at the date of approval of the accounts were Messrs R H Le Boutillier (Chairman) and B G Foulser. Mr R H Henkhuzens served until 18 May 2007 and Mr B G Foulser served from that date. The Audit Committee meets at least twice a year for the purpose of reviewing the annual statutory accounts, the planning and findings from the audit of the statutory accounts, and the interim statements if applicable. Meetings are attended, as appropriate, by the external auditors.

### **REMUNERATION COMMITTEE**

Members of the Remuneration Committee at the date of approval of the accounts and all of whom had served for the year then ended, were A Le Gallais and J M King. The Remuneration Committee meets at least once a year in order to consider, and recommend to the Board, the remuneration of the senior management and any applicable benefits.

### **BOARD SECRETARY**

The Board Secretary from 29 August 2007 to date was Mr E P Fenlon, following the retirement of Mr K C Keen on that date.

### **AUDITORS**

The auditors, Alex Picot Chartered Accountants offer themselves for re-election.

By order of the Board  
E P Fenlon FCA  
Secretary  
2008



Jersey Dairy  
Princes Tower Road  
St Saviour  
Jersey  
JE2 7UD



**Alex Picot**

chartered accountants

95-97 Halkett Place  
St. Helier, Jersey  
Channel Islands JE1 1BX

**INDEPENDENT AUDITORS' REPORT TO THE REGISTERED PRODUCERS OF  
THE JERSEY MILK MARKETING BOARD**

We have audited the Board's financial statements for the year ended 31 March 2008 on pages 17 to 29. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Registered Producers. Our audit work has been undertaken so that we might state to the Registered Producers 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 Registered Producers, for our audit work, for this report, or for the opinions we have formed.

**Responsibilities of the Board and auditors**

The Board's responsibilities for preparing financial statements in accordance with applicable Jersey Law are set out in the Responsibilities of the Board on page 14.

Our responsibility is to audit the financial statements 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 financial statements give a true and fair view and are properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice. We also report to you whether, in our opinion, the Board Chairman's Report and the Managing Director's Report are consistent with the financial statements.

In addition, we report to you if, in our opinion, the Board has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the financial statements and consider whether it is consistent with the financial statements. This other information comprises only the Chairman's Report and the Managing Director's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**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 financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

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

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Board as at 31 March 2008 and of its deficit for the year then ended.
- The information given in the Chairman's Report and the Managing Director's Report is consistent with the financial statements.

Date *13<sup>th</sup> June* 2008

*Alex Picot*  
**Chartered Accountants**

# Jersey Milk Marketing Board

## PROFIT AND LOSS ACCOUNT & STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the 12 months ended 31 March 2008

		<i>12 months ended 31 March 2008 £'000</i>	<i>12 months ended 31 March 2007 £'000</i>
<b>PROFIT AND LOSS ACCOUNT</b>			
<b>TURNOVER</b>	2	10,175	9,747
Staffing costs	6	2,266	2,308
Manufacturing costs		1,584	1,485
Other costs		687	577
Depreciation	3	467	516
Total trading costs		5,004	4,884
<b>OPERATING SURPLUS BEFORE INTEREST, DISTRIBUTIONS &amp; EXCEPTIONAL ITEMS</b>		5,171	4,863
Exceptional Items	4	(133)	(110)
Operating surplus before interest, distributions & exceptional items		5,038	4,753
Interest payable	7	(198)	(201)
<b>SURPLUS AFTER INTEREST AND BEFORE DISTRIBUTIONS</b>		4,840	4,552
<b>DISTRIBUTIONS</b>			
To producers for milk supplied		(4,708)	(4,866)
To producers leaving the scheme		(319)	-
Deficit after distributions and exceptional items		£(187)	£(314)
<b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES</b>			
Deficit after distributions		(187)	(314)
Revaluation of freehold property		-	1,193
Pension scheme actuarial gain/(loss)	17	99	(23)
<b>TOTAL RECOGNISED GAINS AND LOSSES</b>		£(88)	£856

### CONTINUING OPERATIONS

All items dealt with in arriving at net surpluses for the year and previous year relate to continuing operations. There is no difference between the deficit and retained deficit for the year stated above, and their historical cost equivalent.

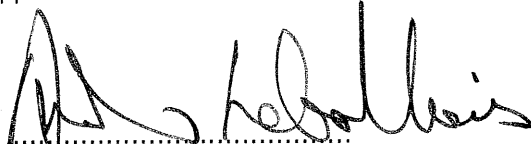
# Jersey Milk Marketing Board

## BALANCE SHEET At 31 March 2008

	Notes	31 March 2008 £'000	31 March 2007 £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	7,102	7,382
Investment in subsidiary undertaking	10	-	-
		<u>7,102</u>	<u>7,382</u>
<b>CURRENT ASSETS</b>			
Stocks	11	573	634
Debtors	12	825	835
		<u>1,398</u>	<u>1,469</u>
<b>CREDITORS:</b> Amounts falling due within one year	13	<u>(3,801)</u>	<u>(3,944)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(2,403)</u>	<u>(2,475)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		4,699	4,907
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Pension scheme deficit	17	<u>(256)</u>	<u>(376)</u>
		<u>£4,443</u>	<u>£4,531</u>
<b>CAPITAL AND RESERVES</b>			
Reserves	15	<u>£4,443</u>	<u>£4,531</u>

Approved on behalf of the Board on

2008

  
.....  
Chairman

13/6/08

# Jersey Milk Marketing Board

## STATEMENT OF CASH FLOWS For the 12 months ended 31 March 2008

	Notes	12 months ended 31 March 2008		12 months ended 31 March 2007	
		£'000	£'000	£'000	£'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	16(a)		5,649		4,848
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>					
Interest paid		(186)		(178)	
Interest element of finance lease payments		1		(5)	
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			(185)		(183)
<b>NET CASH INFLOW BEFORE DISTRIBUTIONS, CAPITAL EXPENDITURE AND FINANCING</b>			5,464		4,665
<b>AMOUNTS PAID TO PRODUCERS</b>			(4,896)		(4,863)
<b>NET CASH INFLOW/ (OUTFLOW) BEFORE CAPITAL EXPENDITURE AND FINANCING</b>			568		(198)
<b>CAPITAL EXPENDITURE</b>					
Payments to acquire tangible fixed assets		(187)		(161)	
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>			(187)		(161)
<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>			381		(359)
<b>FINANCING</b>					
Capital element of finance lease repayments (Repayment)/advance of bank loan		(4) (50)		(103) 86	
<b>NET CASH OUTFLOW FROM FINANCING</b>			(54)		(17)
<b>DECREASE/(INCREASE) IN OVERDRAFT</b>			<u>£327</u>		<u>£(376)</u>

# Jersey Milk Marketing Board

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NOTE TO THE ACCOUNTS  
12 Months to 31 March 2008

## 1. ACCOUNTING POLICIES

### BASIS OF PREPARATION

The financial statements are prepared under the historic cost convention, as modified by the revaluation of freehold property, and in accordance with applicable UK accounting standards.

The balance sheet shows net current liabilities of £2,403,000 (2007: £2,475,000) and the enterprise is dependent upon the continued support of its bankers. The financial statements have been prepared on a going concern basis, which assumes that the enterprise will continue in operational existence for the foreseeable future and the continued support of its bankers.

Furthermore the Jersey Milk Marketing Board has plans to relocate its business premises that will involve the disposal of some of the existing plant and equipment as well as the purchase of replacement fixed assets.

When the foregoing plans are executed, or if the bankers were to withdraw their support, then adjustments may have to be made to restate the balance sheet values of assets to their recoverable amounts and to provide for further liabilities that might arise and to reclassify fixed assets and any long term liabilities as current assets and liabilities.

Having considered the adequacy of the undertaking for the provision of financial support by the enterprise's bankers and in view of the expectation that the premises relocation will not make significant financial effect for at least a further twelve months after the approval of these financial statements, the members of the Board and Executive Committee believe that it is appropriate for the financial statements to be prepared on a going concern basis.

### DEPRECIATION

Improvements to leasehold property are depreciated on a straight line basis over the remaining period of the lease.

All assets are depreciated in the year in which they are purchased.

Other tangible fixed assets are included at cost or Board's valuation if over £500 in value and are depreciated on a straight line basis over their expected useful lives at the following principal annual rates:

Freehold land	-	Nil
Freehold property	-	50 years
Leasehold improvements	-	Fully impaired
Motor vehicles - vans	-	5 years
- cars	-	5 years
Plant and machinery	-	5 - 20 years
Computer equipment	-	4 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

### STOCKS

Stocks are stated at the lower of cost and net realisable value. Cost of finished goods includes cost of direct materials used to bring products to their present condition.

NOTE TO THE ACCOUNTS  
12 Months to 31 March 2008

**RESEARCH AND DEVELOPMENT**

Research and development expenditure is written off as incurred.

**LEASING AND HIRE PURCHASE COMMITMENTS**

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Board and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged to the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

**PENSIONS AND OTHER POST RETIREMENT BENEFITS**

The Board operates a defined contribution scheme which commenced in July 2005. The assets of the scheme are held separately from those of the Board.

The Board also operates a defined benefit pension scheme which requires contributions to be made to the administered fund. Contributions to the fund are charged in the profit and loss account in line with the latest actuarial report which is produced every three years.

Any surplus or deficit in the defined benefit plan, being the difference between the value of the plan assets and the present value of the plan liabilities, is recognised in the balance sheet as an asset or liability to the extent that any surplus is recoverable through future reduced contributions or that, conversely, any deficit reflects a legal or constructive obligation.

On a recommendation of the Trustees, the Executive Committee decided that with effect from 1st December 2005 there would be no further contributions towards the accrual of future pension benefits under the defined benefit pension scheme. A proposal was sent to all current employees who were members of that scheme inviting them to join the new defined contribution pension scheme which commenced in July this year.

The pension cost for both schemes charged to the Profit and Loss Account, which represents contributions payable by the Board, amounted to £126,000. Included in this amount is £50,000 paid in to the Defined Benefit Pension Scheme in order to reduce the present deficit.

**TURNOVER**

Turnover represents the amounts derived from the provision of goods and services, after trade discounts, which fall within the Board's ordinary activities.

# Jersey Milk Marketing Board

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## NOTE TO THE ACCOUNTS 12 Months to 31 March 2008

### 2. TURNOVER

	<i>12 months ended 31 March 2008 £'000</i>	<i>12 months ended 31 March 2007 £'000</i>
Channel Islands	9,010	9,043
United Kingdom	1,165	704
	<u>£10,175</u>	<u>£9,747</u>

### 3. OPERATING SURPLUS BEFORE INTEREST AND DISTRIBUTIONS

The operating surplus before interest and distributions is stated:

	<i>12 months ended 31 March 2008 £'000</i>	<i>12 months ended 31 March 2007 £'000</i>
<b>After Charging:</b>		
Depreciation of owned assets	467	412
Depreciation of assets held under finance leases	-	104
Total depreciation charge	<u>£467</u>	<u>£516</u>
Audit fees	<u>£22</u>	<u>£14</u>

### 4. EXCEPTIONAL ITEMS

	<i>12 months ended 31 March 2008 £'000</i>	<i>12 months ended 31 March 2007 £'000</i>
Property relocation costs	68	23
Reorganisation/redundancy costs	65	87
	<u>£133</u>	<u>£110</u>



# Jersey Milk Marketing Board

NOTE TO THE ACCOUNTS  
12 Months to 31 March 2008

## 5. EMOLUMENTS OF MEMBERS OF THE BOARD, THE EXECUTIVE COMMITTEE, AND THE DIRECTORS

	<i>12 months ended 31 March 2008 £'000</i>	<i>12 months ended 31 March 2007 £'000</i>
Amount paid to the highest paid employee of the Executive Committee and Directors	<u>£87</u>	<u>£111</u>
Amounts paid to directors and senior management	<u>£421</u>	<u>£395</u>
Amounts paid to members of the Board	<u>£60</u>	<u>£65</u>

Emoluments comprise amounts payable in respect of basic salary, bonuses and similar rewards.

## 6. STAFFING COSTS

	<i>12 months ended 31 March 2008 £'000</i>	<i>12 months ended 31 March 2007 £'000</i>
Wages and salaries	2,075	2,118
Social security	115	120
Other pension costs	76	70
	<u>£2,266</u>	<u>£2,308</u>

The number of employees at the end of the year was as follows:

	<i>2008 No.</i>	<i>Restated 2007 No.</i>
Administration	5	4
Production	30	32
Sales & distribution	31	31
	<u>66</u>	<u>67</u>

# Jersey Milk Marketing Board

NOTE TO THE ACCOUNTS  
12 Months to 31 March 2008

## 7. INTEREST PAYABLE

	<i>12 months ended 31 March 2008 £'000</i>	<i>12 months ended 31 March 2007 £'000</i>
Bank loan and overdraft interest	181	182
Finance charges payable under finance leases and hire purchase contracts	-	5
Net finance cost of the defined benefit pension scheme	17	14
	<u>£198</u>	<u>£201</u>

## 8. TAXATION

Due to a concessional agreement with the Comptroller of Income Tax, the Board is only liable to pay income tax on investment income generated.

## 9. TANGIBLE FIXED ASSETS

	<i>Freehold property £'000</i>	<i>Improvements to leasehold £'000</i>	<i>Motor vehicles £'000</i>	<i>Plant and machinery £'000</i>	<i>Total £'000</i>
<b>Cost or Valuation</b>					
Brought forward	6,000	102	840	6,909	13,851
Additions	-	-	61	125	187
Carried forward	<u>6,000</u>	<u>102</u>	<u>901</u>	<u>7,034</u>	<u>14,038</u>
<b>Depreciation</b>					
Brought forward	21	97	806	5,545	6,469
Charge for the year	120	-	15	331	467
Carried forward	<u>141</u>	<u>97</u>	<u>821</u>	<u>5,876</u>	<u>6,936</u>
<b>Net Book Value</b>					
Carried forward at 31 March 2008	<u>£5,859</u>	<u>£5</u>	<u>£80</u>	<u>£1,158</u>	<u>£7,102</u>
Brought forward at 1 April 2007	<u>£5,979</u>	<u>£5</u>	<u>£34</u>	<u>£1,364</u>	<u>£7,382</u>

In January 2007, the Board obtained an external valuation of the freehold land and buildings at the Five Oaks site owned by Jersey Milk Marketing Board from CBRE, a firm of chartered surveyors. The valuation was performed on an existing use basis.

CBRE valued the property at £6,000,000 in total, being split as to £3,750,000 in land value and £2,900,000 in buildings. The original cost value of the land was £6,400 and the original buildings were valued at £419,362. The Board believe that the alternative use value is greater than the existing use value.

# Jersey Milk Marketing Board

NOTE TO THE ACCOUNTS  
12 Months to 31 March 2008

## 10 INVESTMENT IN SUBSIDIARY UNDERTAKING

	2008 £'000	2007 £'000
Jersey Dairy Limited	<u>-</u>	<u>-</u>

The Jersey Milk Marketing Board owns 100% of the issued share capital in Jersey Dairy Limited, a company registered in Jersey.

The parent entity pays the running costs of the said subsidiary.

## 11. STOCKS

	2008 £'000	2007 £'000
Finished goods	357	310
Packaging and Ingredients	207	282
Engineering	-	35
Other	9	7
	<u>£573</u>	<u>£634</u>

## 12. DEBTORS

	2008 £'000	2007 £'000
Trade debtors	741	767
Other debtors and prepayments	84	68
	<u>£825</u>	<u>£835</u>

## 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £'000	2007 £'000
Bank overdraft	1,269	1,596
Bank loan	1,316	1,366
Amounts due to current producers for milk supplied	346	375
Amounts due to current producers leaving the scheme	159	-
Trade creditors	457	430
Finance lease obligations	-	4
Other creditors and accruals	254	173
	<u>£3,801</u>	<u>£3,944</u>

The overdraft facility of £1,600,000 from HSBC Bank Plc bears interest at 1.75% over the bank's base rate. The facility is due for review in August 2008.

The loan facilities of £1,180,000 and £200,000 from HSBC Bank Plc bear interest at 1.5% over the bank's base rate. The loan facility is repayable on demand and is due for review in August 2008.

The above borrowings from HSBC Bank Plc are secured by a registered promissory note of £3,090,000 over property owned by the Board.

# Jersey Milk Marketing Board

NOTE TO THE ACCOUNTS  
12 Months to 31 March 2008

## 14. OBLIGATIONS UNDER FINANCE LEASE CONTRACTS

Amounts due under finance lease contracts:		
	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>
Amounts payable:		
within one year	-	4
in two to five years	-	-
	<u>-</u>	<u>4</u>
Less: finance charges allocated to future years	-	-
	<u>-</u>	<u>-</u>
	<u>£-</u>	<u>£4</u>

## 15. RECONCILIATION OF REGISTERED PRODUCERS FUNDS AND MOVEMENT ON RESERVES

	<i>Revaluation</i>	<i>Profit and</i>	<i>Pension</i>	<i>Total</i>
	<i>reserve</i>	<i>loss account</i>	<i>and other</i>	
<i>Note</i>	<i>£'000</i>	<i>£'000</i>	<i>reserves</i>	<i>£'000</i>
At 1 April 2007	4,631	(2,586)	2,486	4,531
Loss for the year	-	(187)	-	(187)
Defined benefit pension scheme actuarial gain	17	-	99	99
At 31 March 2008	<u>£4,631</u>	<u>£(2,773)</u>	<u>£2,585</u>	<u>£4,443</u>

# Jersey Milk Marketing Board

NOTE TO THE ACCOUNTS  
12 Months to 31 March 2008

## 16. NOTES TO THE STATEMENT OF CASH FLOWS

### (a) Reconciliation of operating surplus to net cash inflow from operating activities

	2008 £'000	2007 £'000
Operating surplus	5,038	4,753
Depreciation of tangible fixed assets	467	516
Decrease/(increase) in stocks	61	(179)
Decrease/(increase) in operating debtors	10	(7)
Increase/(decrease) in operating creditors	111	(184)
Defined benefit pension contributions over service costs	12	(51)
Contributions to Defined Benefit pension scheme to reduce deficit (50)		-
Net cash inflow	<u>£5,649</u>	<u>£4,848</u>

### (b) Analysis of changes in net debt

	2008 £'000	2007 £'000	Change
Bank overdraft	(1,269)	(1,596)	327
Bank loan	(1,316)	(1,366)	50
	<u>(2,585)</u>	<u>(2,962)</u>	<u>377</u>
Finance lease obligations	-	(4)	4
	<u>£(2,585)</u>	<u>£(2,966)</u>	<u>£381</u>

### (c) Reconciliation of net debt

	2008 £'000	2007 £'000
Decrease/(Increase) in overdraft	327	(376)
Cash inflow from changes in debt and lease financing	54	17
	<u>381</u>	<u>(359)</u>
Net debt at start of year	<u>(2,966)</u>	<u>(2,607)</u>
Net debt at end of year	<u>£(2,585)</u>	<u>£(2,966)</u>

NOTE TO THE ACCOUNTS  
12 Months to 31 March 2008

**17. PENSION COMMITMENTS**

**FRS 17 disclosures**

The valuation used for FRS17 disclosures has been based on the most recent actuarial valuation and updated by HSBC Actuaries and Consultants Limited to take account of the requirements of FRS17 in order to assess the liabilities of the scheme at 31 March 2008. Scheme assets are stated at their market value at 31 March 2008.

**Assumptions**

	2008 %	2007 %
<i>Main assumptions:</i>		
Rate of salary increases	None	None
Rate of increase in pensions in payment	None	None
Discount rate	6.60	5.36
Inflation assumption	3.25	2.80

**Balance Sheet**

The assets and liabilities of the schemes and the expected rates of return at 31 March 2008 are:

	<i>Long term rate of return %</i>	<i>2008 Value £'000</i>	<i>Long term rate of return %</i>	<i>2007 Value £'000</i>
Equities	8.50	470	8.00	511
Bonds	5.00	1,258	4.50	1,197
Other	5.00	(1)	4.50	166
Total market value of assets		<u>1,727</u>		<u>1,874</u>
Present value of scheme liabilities		<u>(1,983)</u>		<u>(2,250)</u>
Net pension liability		<u>£(256)</u>		<u>£(376)</u>

**Impact on the Profit & Loss Account and the Statement of Total Recognised Gains and Losses**

<i>Analysis of the amount charged to operating profit</i>	<i>2008 £'000</i>	<i>2007 £'000</i>
Post service cost	12	15
Current service cost	-	-
Total operating charge	<u>£12</u>	<u>£15</u>
<i>Analysis of the amount charged to other finance costs</i>	<i>2008 £'000</i>	<i>2007 £'000</i>
Expected return on pension scheme assets	100	102
Interest on pension scheme liabilities	(117)	(116)
Net finance cost	<u>£(17)</u>	<u>£(14)</u>

# Jersey Milk Marketing Board

NOTE TO THE ACCOUNTS  
12 Months to 31 March 2008

## 17. PENSION COMMITMENTS (CONTINUED)

<i>Analysis of the amount recognised in the statement of total recognised gains and losses</i>	<i>2008</i> <i>£'000</i>	<i>2007</i> <i>£'000</i>
Actual return less expected return on pension scheme assets	(158)	(54)
Experience gains and losses arising on the scheme liabilities	(16)	(59)
Changes in assumptions underlying the present value of the scheme liabilities	273	90
Actuarial gain/(loss)	<u>£99</u>	<u>£(23)</u>

### Reconciliation of surplus

<i>Movement in surplus during the year</i>	<i>2008</i> <i>£'000</i>	<i>2007</i> <i>£'000</i>
Deficit in scheme at beginning of the year	(376)	(390)
Current service costs	-	-
Contributions	50	66
Cost of post service benefits granted during the year	(12)	(15)
Other finance costs	(17)	(14)
Actuarial gain/(loss)	99	(23)
Deficit in scheme at end of the year	<u>£(256)</u>	<u>£(376)</u>

### Gains & losses

	<i>2008</i> <i>£'000</i>	<i>2007</i> <i>£'000</i>
<b>Actual return less expected return on pension scheme assets:</b>		
Amount	(158)	(54)
Percentage of pension scheme's assets	(9%)	(3%)
Experience gains and losses arising on the scheme liabilities:		
Amount	(16)	(59)
Percentage of the present value of the pension scheme's liabilities	(1%)	(3%)
<b>Total gain/(loss) recognised in the statement of total recognised gains and losses:</b>		
Amount	99	(23)
Percentage of the present value of the pension scheme's liabilities	5%	(1%)

## 18. CAPITAL COMMITMENTS

There are no amounts contracted for, but not provided for in the financial statements.

## 19. RELATED PARTY TRANSACTIONS

The members of the Board include registered producers from whom milk is purchased for processing and resale on the same basis as for any other registered producer.

The following pages do not form part of the financial statements



## Jersey Milk Marketing Board

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<b>FIVE YEAR REVIEW</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004 10 months</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Turnover	10175	9747	9887	10341	8934
Operating costs excluding exceptional items	5004	4884	5127	5788	5176
Operating surplus before interest, distributions and exceptional items	5171	4861	4760	4553	3758
Net Debt	2585	2966	2607	2756	2961
Net assets	4442	4531	3675	3790	4003
Milk intake '000 litres	13348	14144	14109	14368	11952
Number of producers at the end of the year	28	33	33	34	35
Number of dairy staff and management at the end of the year	67	67	75	95	94
Distribution - conventional milk- pence	35.3	33.8	33.0	33.0	30.3

# Jersey Milk Marketing Board

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JOCK L'ENFANT MEMORIAL TROPHY &  
JERSEY MILK EXECUTIVE COMMITTEE TROPHY  
For the 52 weeks ended 31 March 2008

## PRODUCERS SENDING UP TO 150,000 LTRS PER LICENSED PERIOD

<i>Number</i>	<i>Name</i>	<i>Mean SCC</i>	<i>Mean TVC</i>	<i>Overall Ranking</i>
9696	G P ROMERIL ESQ.,	158	3343	=3
3368	MRS M LE GROS,	159	3293	=3
5710	R H T SMITH,	242	1447	=8
9712	MR & MRS D J LE SECH,	244	4062	18
5736	MISS R BILES,	202	6513	19
3756	F E CUDLIPP ESQ.,	187	21894	=20
7766	J G RENNARD ESQ.,	248	4991	=20
8011	J E GAUDIN,	224	18453	25
0935	MRS.I M HOUGUEZ,	290	9911	28

## PRODUCERS SENDING MORE THAN 150,000 LTRS PER LICENSED PERIOD

<i>Number</i>	<i>Name</i>	<i>Mean SCC</i>	<i>Mean TVC</i>	<i>Overall Ranking</i>
4549	CROSS COTTAGE FARM LTD.,	122	2197	1
9746	LES ORMES FARM,	164	2578	2
1289	MR & MRS J F LE FEUVRE,	155	3389	=3
9910	R H LE BOUTILLIER ESQ.,	168	3060	6
9564	LUCE FARMS LTD.,	178	2618	6
9241	COWLEY FARM LTD.,	200	2680	=8
9092	T H BARETTE ESQ.,	198	3155	10
9209	LA FERME LTD.,	136	8148	11
9381	LODGE FARM LTD.,	174	4237	12
9274	J E PERCHARD ESQ.,	188	3843	=13
9167	TRINITY MANOR FARM	160	5890	=13
9027	MRS V C LE CRAS,	151	12411	15
9151	MASTER FARMS LTD.,	237	3596	16
9472	MR I H & MRS A P MITCHELL,	327	2839	17
9456	J E LE MAISTRE ESQ.,	198	11542	=20
1669	C R LEE ESQ.,	277	4700	23
9084	LE GRESLEY FARMS LTD.,	259	5314	24
9160	CHALET JERSEYS LTD.,	247	10070	=26
9522	MEADOWVALE FARM LTD.,	258	9062	=26

Please note that results (as in the past) are a mean value across 52 recognised results in the twelve month period. Producers with incomplete records are not listed.

## Jersey Milk Marketing Board

MILK INTAKE  
For the 52 weeks ended 31 March 2008

Month	Normal Litres	Price £	Cost £'000	Organic Litres	Price £	Cost £'000	Penalties & Bonuses £'000	Total Litres	Average Price £	Total Cost £'000
1	1,199,439	0.310	372	31,137	0.460	14	8	1,230,576	0.320	394
2	1,254,746	0.310	389	40,546	0.450	18	10	1,295,292	0.322	417
3	1,181,807	0.320	378	41,364	0.455	19	5	1,223,171	0.329	402
4	1,197,933	0.330	395	33,070	0.460	15	5	1,231,003	0.338	415
5	1,160,639	0.345	401	37,955	0.465	18	7	1,198,594	0.355	426
6	1,092,657	0.345	377	38,381	0.470	18	12	1,131,038	0.360	407
7	1,065,317	0.345	368	31,471	0.480	15	11	1,096,788	0.359	394
8	965,798	0.350	338	29,440	0.530	16	11	995,238	0.367	365
9	974,215	0.340	331	23,051	0.540	13	17	997,266	0.362	361
10	986,057	0.340	335	19,188	0.540	10	14	1,005,245	0.358	359
11	923,789	0.340	314	12,519	0.545	7	11	936,308	0.355	332
12	991,026	0.330	327	16,143	0.525	8	11	1,007,169	0.344	346
<b>TOTAL</b>	<b>12,993,423</b>	<b>0.333</b>	<b>4,325</b>	<b>354,265</b>	<b>0.483</b>	<b>171</b>	<b>122</b>	<b>13,347,688</b>	<b>0.346</b>	<b>4,618</b>

