

Carr's Flour Mills Limited

Annual report

for the year ended 29 August 1998

Registered no: 480341

RE-SCAN



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Carr's Flour Mills Limited

Annual report for the year ended 29 August 1998

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Directors' report for the year ended 29 August 1998

The directors present their report and the audited financial statements for the year ended 29 August 1998.

Principal activity

The principal activity of the company continued to be that of flour milling.

Review of business and future developments

The profit for the year after taxation amounted to £310,082. The directors are satisfied with the results for the year and the prospects for the future.

Year 2000

The company has undertaken a review of its computer hardware and software, and other relevant facilities which use micro-processors, to ensure they will operate satisfactorily at the turn of the millennium. Corrective action is underway in areas which have been identified as not Year 2000 compliant and the directors expect these areas to be compliant by early 1999.

Dividends

The directors have declared an ordinary dividend in respect of the year ended 29 August 1998 of £250,000 (1997: £549,000)

Creditors' terms and creditor days

It is the company's policy to agree terms of payment with its suppliers when agreeing the terms of a business transaction or transactions. All suppliers are aware of this procedure and the company abides by the agreed payment terms.

The amount of trade creditors shown in the balance sheet at the end of the financial year represents 28 days (1997: 18 days) of average purchases for goods and services made during the year.

Post balance sheet event

On 16 October 1998 the company purchased the stock and trade of George A Shackleton Ltd for a consideration of £116,000.

Directors and directors' interests

The directors who held office during the year were:

I C Carr (Resigned 29 August 1998)
J E Tudor (Chairman)
R C Wood
D E Lines
J Holmes
C N C Holmes

C N C Holmes retires by rotation and, being eligible, offers himself for re-election.

J E Tudor, R C Wood and C N C Holmes are directors of the ultimate parent company and so their interests are shown in the financial statements of that company.

D E Lines held 250 ordinary shares of £1 each in the ultimate parent company at 29 August 1998 and 31 August 1997.

Other than the above, no director has had any interest in the shares of the company or any other subsidiary of the company's ultimate parent company.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

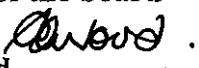
The directors confirm that suitable accounting policies have been used and applied consistently. Reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 29 August 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers as auditors. A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting.

By order of the board


R C Wood
Secretary
Stanwix
Carlisle

13 November 1998

Report of the auditors to the members of Carr's Flour Mills Limited

We have audited the financial statements on pages 4 to 16 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 6 to 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

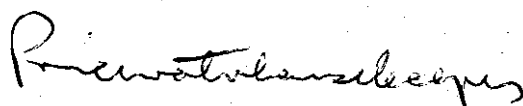
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 29 August 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
Leeds

13 November 1998

**Profit and loss account
for the year ended 29 August 1998**

	Notes	1998	1997 £
Turnover	2	14,841,464	15,815,379
Cost of sales		(12,859,054)	(13,484,444)
Gross profit		1,982,410	2,330,935
Operating expenses - normal	3	(1,705,004)	(1,563,836)
Operating expenses - exceptional	4	-	(1,545,910)
Operating profit/(loss)		277,406	(778,811)
Interest receivable	7	239,905	211,462
Interest payable	8	(139,297)	(83,840)
Profit/(Loss) on ordinary activities before taxation	9	378,014	(651,189)
Tax on profit on ordinary activities	10	(67,932)	(230,963)
Profit/(Loss) on ordinary activities after taxation		310,082	(882,152)
Dividends	11	(250,000)	(549,000)
Retained Profit/(Deficit) for the year	23	60,082	(1,431,152)

All of the results included in the profit and loss account above relate to continuing operations.

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

Note of historical cost profits and losses

	1998 £	1997 £
Reported profit/(loss) on ordinary activities before taxation	378,014	(651,189)
Difference between historical cost depreciation charge and actual charge on revalued amount of fixed assets	8,693	8,693
Historical cost profit/(loss) on ordinary activities before taxation	386,707	(642,496)
Historical cost profit/(loss) for the year after taxation and dividends	68,775	(1,422,459)

Balance sheet at 29 August 1998

	Notes	1998 £	1997 £
Fixed assets			
Tangible assets	12	7,247,150	6,234,320
Current assets			
Stocks	13	919,929	721,162
Debtors: amounts falling due within one year	14	5,682,873	5,975,772
Debtors: amounts falling due after more than one year	15	38,180	37,667
Cash at bank and in hand		-	-
		<u>6,640,982</u>	<u>6,734,601</u>
Creditors: amounts falling due within one year	16	(7,901,142)	(6,834,177)
Net current (liabilities)		<u>(1,260,160)</u>	<u>(99,576)</u>
Total assets less current liabilities		<u>5,986,990</u>	<u>6,134,744</u>
Creditors: amounts falling due after more than one year	17	(53,659)	(121,625)
Provisions for liabilities and charges	18	(855,920)	(948,000)
Government grants	19	(362,815)	(410,605)
		<u>(1,272,394)</u>	<u>(1,480,230)</u>
Net assets		<u>4,714,596</u>	<u>4,654,514</u>
Capital and reserves			
Called-up share capital	21	414,593	414,593
Revaluation reserve	22	1,146,418	1,211,298
Profit and loss account	22	3,153,585	3,028,623
Equity shareholders' funds		<u>4,507,310</u>	<u>4,447,228</u>
Non equity shareholders' funds		<u>207,286</u>	<u>207,286</u>
Total shareholders' funds	23	<u>4,714,596</u>	<u>4,654,514</u>

The financial statements on pages 4 to 16 were approved by the board of directors on 13 November 1998 and were signed on its behalf by:

R C Wood



J E Tudor



Directors

Notes to the financial statements for the year ended 29 August 1998

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain land and buildings.

Turnover

Turnover represents the value of goods invoiced to customers during the year less returns and excluding VAT.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs.

Depreciation is calculated so as to write off the cost or valuation of all tangible fixed assets, other than freehold land which is not depreciated, in equal annual instalments over their estimated useful lives at the following rates:

Freehold and long leasehold properties	2% - 20%
Short leasehold properties	over the period of the lease
Plant and equipment	5% - 20%
Motor vehicles	20% - 25%

Depreciation on all plant and motor vehicles whether leased or owned is charged over the life of the asset commencing in the month the asset is brought into production or use.

On land and buildings a full year's depreciation is provided in the financial year of acquisition and none in the year of disposal.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes production overheads where appropriate.

Deferred taxation

Deferred taxation is provided under the liability method to take account of all timing differences between profits as stated in the financial statements and as computed for tax purposes to the extent that it is considered with reasonable probability that such a liability will crystallise.

Government grants

Grants received in respect of capital expenditure are released to the profit and loss account in equal annual instalments over the estimated useful lives of the assets concerned.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amounts capitalised are the present values of the minimum lease payments. The corresponding commitments are shown as obligations under finance leases.

Depreciation on the relevant assets is charged to the profit and loss account in accordance with the company's normal depreciation rate.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account using the actuarial method.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account as incurred.

Pension costs

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services. Employees are members of the Carr's Milling Industries Pension Scheme 1993. Details of this scheme are disclosed in the parent company's financial statements.

Cash flow statement

The company is a wholly owned subsidiary of Carr's Milling Industries PLC and cash flows of the company are included in the consolidated group cash flow statement of Carr's Milling Industries PLC. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

Foreign currency transactions

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are charged to the profit and loss account.

2 Segmental analysis

In the opinion of the directors all the activities of the company fall into one class of business, namely that of flour milling. Turnover, by destination, is as follows:

	1998 £	1997 £
United Kingdom	14,135,007	15,032,085
Rest of Europe	706,457	783,294
	<u>14,841,464</u>	<u>15,815,379</u>

3 Operating expenses - normal

	1998 £	1997 £
Distribution costs	793,677	685,609
Administration costs	911,327	878,227
	<u>1,705,004</u>	<u>1,563,836</u>

4 Operating expenses - exceptional

	1998 £	1997 £
Exceptional provision	-	1,545,910
	<u>-</u>	<u>1,545,910</u>

In 1997 the company provided in full for a debtor balance due from a non-trading fellow subsidiary undertaking which is not expected to be recovered.

5 Directors' emoluments

The remuneration paid to the directors of the company was:

	1998 £	1997 £
Aggregate emoluments including benefits	<u>165,477</u>	<u>158,208</u>

Retirement benefits are accruing to three directors under a defined benefit pension scheme.

6 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	1998 Number	1997 Number
By activity		
Sales, office and management	33	33
Manufacturing and distribution	44	46
	<u>77</u>	<u>79</u>
	<u>77</u>	<u>79</u>
	1998	1997
	£	£
Staff costs (for the above persons):		
Wages and salaries	1,399,181	1,376,804
Social security costs	132,630	120,080
Other pension costs (see note 20)	76,462	67,566
	<u>1,608,273</u>	<u>1,564,450</u>
	<u>1,608,273</u>	<u>1,564,450</u>

7 Interest receivable

	1998 £	1997 £
Bank interest	-	36
On trade loans	5,353	5,806
On group loans	234,552	205,620
	<u>239,905</u>	<u>211,462</u>
	<u>239,905</u>	<u>211,462</u>

8 Interest payable

	1998 £	1997 £
On bank borrowings	124,135	63,092
On finance leases	15,162	20,748
	<u>139,297</u>	<u>83,840</u>
	<u>139,297</u>	<u>83,840</u>

9 Profit on ordinary activities before taxation

	1998 £	1997 £
Profit on ordinary activities before taxation is stated after crediting:		
Amortisation of government grants	47,790	48,839
Rent receivable	6,000	6,018
Profit on disposal of tangible fixed assets	100	6,350
	<u> </u>	<u> </u>
And after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	478,993	449,566
Tangible fixed assets held under finance leases	95,314	77,312
Auditors' remuneration for audit	10,000	11,000
Hire of plant and equipment - operating leases	6,599	6,172
Hire of other assets - operating leases	18,270	22,392
	<u> </u>	<u> </u>

10 Tax on profit on ordinary activities

	1998 £	1997 £
United Kingdom corporation tax at 31% (1997: 32.2%):		
Current	-	205,000
Group relief payable	33,615	44,963
Deferred	86,000	(19,000)
(Over) / under provision in respect of prior years:		
Group relief	-	(20,000)
Current	(683)	20,000
Deferred	(51,000)	-
	<u> </u>	<u> </u>
	67,932	230,963
	<u> </u>	<u> </u>

11 Dividends

	1998 £	1997 £
Dividends on equity shares:		
Ordinary - final proposed of £1.206 per share (1997: £2.65)	250,000	549,000
	<u> </u>	<u> </u>

12 Tangible fixed assets

	Land and buildings £	Plant & equipment £	Motor vehicles £	Assets in course of construction £	Total £
Cost or valuation					
At 31 August 1997	1,732,557	8,304,685	501,884	382,443	10,921,569
Additions	19,567	1,311,756	14,350	48,474	1,394,147
Disposals	-	(37,914)	-	-	(37,914)
Transfers from group companies	181,250	-	18,179	-	199,429
Reclassification	-	382,443	-	(382,443)	-
At 29 August 1998	1,933,374	9,960,970	534,413	48,474	12,477,231
Depreciation					
At 31 August 1997	63,622	4,334,368	289,259	-	4,687,249
Charge for the year	33,413	456,219	84,675	-	574,307
Eliminated in respect of disposals	-	(37,914)	-	-	(37,914)
Transfers from group companies	-	-	6,439	-	6,439
At 29 August 1998	97,035	4,752,673	380,373	-	5,230,081
Net book value at 29 August 1998	1,836,339	5,208,297	154,040	48,474	7,247,150
Net book value at 30 August 1997	1,668,935	3,970,317	212,625	382,443	6,234,320
Cost or valuation at 29 August 1998 is represented by:					
Valuation in 1995	1,686,000	-	-	-	1,686,000
Cost	247,374	9,960,970	534,413	48,474	10,971,231
	1,933,374	9,960,970	534,413	48,474	12,477,231

Land and buildings, with the exception of the mill, were revalued at open market value for existing use at 31 August 1995 by Carigiet Cowen, Chartered Surveyors. The mill at Silloth-on-Solway was revalued on the basis of depreciated replacement cost by G.F.Singleton and Company, Chartered Surveyors, at 31 August 1995.

The net book value of tangible fixed assets includes an amount of £253,039 (1997: £334,012) in respect of assets held under finance leases.

If land and buildings had not been revalued they would have been included at the following amounts:

	1998 £	1997 £
Cost	1,371,060	1,170,243
Aggregate depreciation based on cost	608,471	583,751
Land and buildings at net book value comprise:		
Freeholds	1,821,299	1,653,575
Long leaseholds	15,040	15,360
	1,836,339	1,668,935

13 Stocks

	1998 £	1997 £
Raw materials and consumables	685,522	567,493
Work in progress	101,847	43,311
Finished goods and goods for resale	132,560	110,358
	<u>919,929</u>	<u>721,162</u>

14 Debtors: amounts falling due within one year

	1998 £	1997 £
Trade debtors	1,320,080	1,466,756
Amounts owed by fellow subsidiary undertakings	4,175,639	4,378,998
Other debtors	168,831	115,015
Prepayments and accrued income	18,323	15,003
	<u>5,682,873</u>	<u>5,975,772</u>

15 Debtors: amounts falling due after more than one year

	1998 £	1997 £
Trade loans	<u>38,180</u>	<u>37,667</u>

16 Creditors: amounts falling due within one year

	1998 £	1997 £
Bank overdraft	773,856	82,398
Obligations under finance leases	79,228	134,578
Trade creditors	1,082,732	630,022
Amounts owed to parent company	4,644,551	4,679,513
Amounts owed to fellow subsidiary undertakings	274,195	227,988
Corporation tax	45,652	227,006
Other taxation and social security payable	132,987	107,235
Other creditors	549,756	145,151
Accruals and deferred income	34,570	51,286
Dividends payable	250,000	549,000
Group taxation relief payable	33,615	-
	<u>7,901,142</u>	<u>6,834,177</u>

17 Creditors: amounts falling due after more one than year

	1998 £	1997 £
Obligations under finance leases	53,659	121,625

The obligations under finance leases are repayable as follows:

In one year or less	79,228	134,578
Between one and two years	48,299	75,829
Between two and five years	5,360	45,796
	132,887	256,203

18 Provision for liabilities and charges

Deferred taxation provided in the financial statements is as follows:

	Amount provided	
	1998 £	1997 £
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	1,014,000	979,000
Other	(31,000)	(31,000)
Advance corporation tax recoverable	(127,080)	-
	855,920	948,000

The movement in the provision for deferred taxation is as follows:

	£
At 31 August 1997	948,000
Profit and loss account	35,000
Advance corporation tax recoverable	(127,080)
At 29 August 1998	855,920

No provision has been made for additional taxation which would accrue if the land and buildings were disposed of at their revalued amount. The liability is estimated at £224,000 (1997: £234,000). Full provision has been made for all other aspects of deferred taxation.

19 Government grants

	£
At 31 August 1997	410,605
Amortisation in the year	(47,790)
	<hr/>
At 29 August 1998	362,815
	<hr/>

20 Pension obligations

The company participates in a group pension scheme operated by Carr's Milling Industries PLC. The pension scheme is primarily of the defined benefit type and its assets are held in a separate trustee administered fund. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. The latest actuarial assessment of the scheme was at 1 January 1998. Particulars of the scheme are contained in the financial statements of Carr's Milling Industries PLC.

With effect from 1 September 1997 the company established a new category in the group pension scheme providing benefits on a defined contribution basis. The pension cost in respect of the members of the defined contribution category represents contributions payable by the company to the fund and amounted to £19,104. Contributions totalling £1,729 were payable to the fund at the year end and are included in creditors.

The total pension cost for the year charged to the profit and loss account of £76,462 (1997: £67,566) is shown in note 6.

21 Called-up share capital

	1998 £	1997 £
Authorised		
250,000 ordinary shares of £1 each	250,000	250,000
250,000 3½% redeemable preference shares of £1 each	250,000	250,000
	<hr/>	<hr/>
	500,000	500,000
	<hr/>	<hr/>
Allotted, called-up and fully paid		
207,307 ordinary shares of £1 each	207,307	207,307
207,286 3½% redeemable preference shares of £1 each	207,286	207,286
	<hr/>	<hr/>
	414,593	414,593
	<hr/>	<hr/>

The preference shares may be redeemed at any time at the company's option. There is no premium payable on redemption. The shares have the same voting rights as the ordinary shares and have a preferential right to return of capital on a winding up.

22 Reserves

	Revaluation reserve £	Profit and loss account £
At 31 August 1997	1,211,298	3,028,623
Retained Profit/(Deficit) for the year	-	60,082
Transfer	(64,880)	64,880
At 29 August 1998	1,146,418	3,153,585

23 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Opening shareholders' funds	4,654,514	6,085,666
Retained Profit/(Deficit) for the year	60,082	(1,431,152)
Closing shareholders' funds	4,714,596	4,654,514

24 Capital commitments

	1998 £	1997 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	-	793,425

25 Financial commitments

At 29 August 1998, the company had annual commitments under non-cancellable operating leases as follows:

	1998 Land and Buildings £	1998 Other £	1997 Land and Buildings £	1997 Other £
Expiring within one year	-	3,902	-	4,458
Expiring within two and five years inclusive	-	4,854	-	3,902
Expiring in over five years	8,305	-	8,305	-
	8,305	8,756	8,305	8,360

26 Group banking arrangements

The company has given an unlimited guarantee with regard to all amounts owing to Clydesdale Bank PLC by its parent company and fellow subsidiary companies. At 29 August 1998 the aggregate amount outstanding under these group banking arrangements was £6,319,625 (1997: £772,615).

27 Related party disclosure

The company's parent company participates in a joint venture with Starbake Carlisle Limited and holds a 50% equity interest in Robertsons Limited. The principal activity of the joint venture company is the manufacture, marketing and distribution of bakery products. The company supplied flour under a supply agreement in the amount of £3,404,940 (1997: £3,493,181), which was included in turnover in the year ended 29 August 1998.

The flour supply agreement is under normal commercial terms. A trade debtor balance of £198,039 (1997: £160,178) is outstanding at the year end.

28 Post balance sheet event

On 16 October the company purchased the stock and trade of George A Shackleton Limited for a consideration of £116,000.

29 Ultimate parent company

The directors regard Carr's Milling Industries PLC, a company registered in England and Wales as the ultimate parent company. According to the register kept by the company, Carr's Milling Industries PLC has a 100% interest in the equity capital of Carr's Flour Mills Limited at 29 August 1998. Copies of the parent company's consolidated financial statements may be obtained from Carr's Milling Industries PLC, Old Croft, Stanwix, Carlisle, CA3 9BA.