

Carr's Flour Mills Limited
Annual report and accounts
for the 52 week period ended 2 September 2006

Registered Number 00480341

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Carr's Flour Mills Limited
Annual report and accounts
for the 52 week period ended 2 September 2006
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Carr's Flour Mills Limited

Directors' report for the 52 week period ended 2 September 2006

The directors present their report and the audited financial statements of the company for the 52 week period ended 2 September 2006

Principal activity

The principal activity of the company is that of flour milling

Review of business and future developments

The results of the company show a pre-tax profit of £2,267,229 (2005 £886,806) for the period and sales of £55,703,398 (2005 £35,864,893)

The directors are satisfied with the performance for the 52 week period ended 2 September 2006. The new financial year is experiencing massive increases in raw material costs which have adversely affected margins as the cost has not been fully passed on to customers.

Principal risks and uncertainties

The principal business risks affecting the company are managed at a group level. For this reason, the directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of the company's business. The principal business risks are described on page 11 of the group's annual report.

Key performance indicators ("KPI's")

The directors of the group manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using KPI's for the company is not necessary or appropriate for an understanding of the development, performance or position of the business. This is discussed on page 9 of the group's annual report.

International Financial Reporting Standards ("IFRS")

The financial statements are being reported under IFRS for the first time. The impact of the company's results on the adoption of IFRS has not been significant to the underlying business and the fundamentals of the company's business and the way in which it is managed is unaltered by the change in accounting regime.

Results and dividends

The results for the financial period are set out on page 5.

The directors have paid an ordinary dividend during the 52 week period ended 2 September 2006 of £1,238,000 (2005 £114,000).

The proposed dividend in respect of the period ended 2 September 2006 is £2,100,000 (2005 £1,238,000).

Post balance sheet events

The company had no significant post balance sheet events.

Carr's Flour Mills Limited

Directors and their interests

The directors who held office during the period are given below

C N C Holmes (Chairman)

R C Wood

D E Lines

D Monroe

R Mullen

C N C Holmes and R C Wood are directors of the ultimate parent company, Carr's Milling Industries PLC, and their interest in the shares of that company is shown in the annual report of that company

Other directors who held office had the following interests in the shares of the ultimate parent company

| | Ordinary shares of 25p | |
|-----------|------------------------------|------------------------------|
| | As at 2 September 2006 | As at 3 September 2005 |
| D E Lines | 12,252 | 12,252 |
| D Monroe | 4,000 | 4,000 |

The other directors also held the following options

| | Number of options 2 September 2006 | Number of options 3 September 2005 | Exercise price (p) | Date from which exercisable | Expiry date |
|-----------------------------------|---------------------------------------------|---------------------------------------------|--------------------------|-----------------------------------|----------------|
| D Monroe – share options 2006 | 6,000 | - | 476 | 24/02/2009 | 23/02/2016 |
| D Monroe – share save scheme 2006 | 1,344 | - | 479 | 01/06/2011 | 30/11/2011 |
| R Mullen – share options 2006 | 3,000 | - | 476 | 24/02/2009 | 23/02/2016 |

During the period options to subscribe to ordinary shares in Carr's Milling Industries PLC under a share option and share save scheme were granted to directors. Details of the schemes are shown in the annual report of that company

Other than as noted above, none of the directors had any interest in the shares of the company or any other company within the Carr's Milling Industries PLC group

Policy and practice on payment of creditors

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

Trade creditors shown in the balance sheet at the end of the financial period represented 29 days (2005 35 days) of average purchases for goods and services made during the period

Carr's Flour Mills Limited

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS's) as adopted by the European Union

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with IFRS's as adopted by the European Union, of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether the financial statements comply with IFRS's as adopted by the European Union, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Auditors and disclosure of information to auditors

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting

On behalf of the Board



R C Wood
Secretary

11 June 2007

Carr's Flour Mills Limited

Independent auditors' report to the members of Carr's Flour Mills Limited

We have audited the financial statements of Carr's Flour Mills Limited for the 52 week period ended 2 September 2006 which comprise the income statement, the balance sheet, the cash flow statement, the statement of accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS's) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

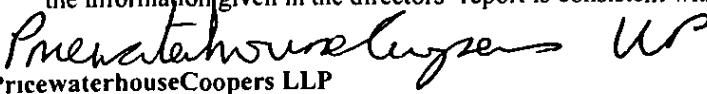
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 2 September 2006 and of its profit and cash flows for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne

11 June 2007

Carr's Flour Mills Limited

Income statement for the 52 week period ended 2 September 2006

| | Note | 52 week period 2006 £ | 53 week period 2005 £ |
|----------------------------------------------------------------------------|------|--------------------------------|--------------------------------|
| Continuing operations | | | |
| Revenue | 1 | 55,703,398 | 35,864,893 |
| Cost of sales | | (43,992,710) | (28,866,095) |
| Gross profit | | 11,710,688 | 6,998,798 |
| Distribution costs | | (5,637,176) | (3,406,484) |
| Administrative expenses | | (3,625,354) | (2,589,666) |
| Operating profit | 2 | 2,448,158 | 1,002,648 |
| Analysed as: | | | |
| Operating profit before non-recurring items and amortisation | | 3,274,257 | 1,862,962 |
| Non-recurring items and amortisation | 3 | (826,099) | (860,314) |
| Operating profit | 2 | 2,448,158 | 1,002,648 |
| Interest income | 5 | 98,138 | 27,516 |
| Interest expense | 5 | (279,067) | (143,358) |
| Profit before taxation | | 2,267,229 | 886,806 |
| Taxation | 6 | (464,081) | (322,008) |
| Profit for the period attributable to equity holders of the company | 24 | 1,803,148 | 564,798 |

The company has no recognised gains and losses other than the profit for the period shown above and therefore no separate statement of recognised income and expense has been presented

Carr's Flour Mills Limited

Balance sheet as at 2 September 2006

| | Note | 2006 £ | 2005 £ |
|-------------------------------|------|---------------------|---------------------|
| Non-current assets | | | |
| Intangible assets | 8 | 628,236 | 1,454,335 |
| Property, plant and equipment | 9 | 11,965,790 | 11,585,980 |
| Investment property | 10 | 164,307 | 168,287 |
| Investment in subsidiaries | 11 | 2 | 2 |
| Other investments | 11 | 4,261 | 4,261 |
| <i>Financial assets</i> | | | |
| Non-current receivables | 12 | 7,998 | 20,400 |
| Deferred tax assets | 22 | - | 5,615 |
| | | 12,770,594 | 13,238,880 |
| Current assets | | | |
| Inventories | 13 | 2,324,981 | 2,357,462 |
| Trade and other receivables | 14 | 10,329,543 | 8,894,159 |
| Cash and cash equivalents | 15 | 2,394,708 | 3,161,890 |
| | | 15,049,232 | 14,413,511 |
| Total assets | | 27,819,826 | 27,652,391 |
| Current liabilities | | | |
| Trade and other payables | 16 | (5,678,692) | (5,369,058) |
| <i>Financial liabilities</i> | | | |
| Borrowings | 17 | (13,410,413) | (13,360,596) |
| Current tax liabilities | 18 | (655,115) | (802,762) |
| | | (19,744,220) | (19,532,416) |

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Balance sheet as at 2 September 2006 (continued)

| | Note | 2006 £ | 2005 £ |
|-----------------------------------|-------|---------------------|---------------------|
| Non-current liabilities | | | |
| <i>Financial liabilities</i> | | | |
| Borrowings | 17 | (437,988) | (536,645) |
| Other non-current liabilities | 19 | (165,624) | (185,058) |
| Deferred tax liabilities | 22 | (1,975,111) | (2,265,657) |
| | | (2,578,723) | (2,987,360) |
| Total liabilities | | (22,322,943) | (22,519,776) |
| Net assets | | 5,496,883 | 5,132,615 |
| Shareholders' equity | | | |
| Ordinary share capital | 23,24 | 207,307 | 414,593 |
| Capital redemption reserve | 24 | 207,286 | - |
| Equity compensation reserve | 24 | 6,406 | - |
| Other reserves | 24 | 743,730 | 753,868 |
| Retained earnings | 24 | 4,332,154 | 3,964,154 |
| Total shareholders' equity | 24 | 5,496,883 | 5,132,615 |

The financial statements on pages 5 to 36 were approved by the Board of Directors on 11 June 2007 and were signed on its behalf by



C N C Holmes
Director



R C Wood
Director

Carr's Flour Mills Limited

Cash flow statement for the period ended 2 September 2006

| | Note | 52 week period 2006 £ | 53 week period 2005 £ |
|-------------------------------------------------------------|------|--------------------------------|--------------------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 25 | 3,796,129 | 3,229,562 |
| Interest received | | 98,138 | 27,516 |
| Interest paid | | (338,764) | (83,661) |
| Tax paid | | (832,373) | (280,009) |
| Net cash from operating activities | | 2,723,130 | 2,893,408 |
| Cash flow from investing activities | | | |
| Purchase of other investments | | - | (1,797) |
| Cash acquired on hive up of fellow group subsidiary | | - | 460,033 |
| Purchase of property, plant and equipment | | (1,676,744) | (352,689) |
| Proceeds from sale of property, plant and equipment | | 31,540 | 284,382 |
| Net cash (used in)/from investing activities | | (1,645,204) | 389,929 |
| Cash flows from financing activities | | | |
| Redemption of preference share capital | | (207,286) | - |
| Finance lease capital payments | | (400,810) | (274,827) |
| Dividends paid to shareholders | | (1,238,000) | (114,000) |
| Net cash used in financing activities | | (1,846,096) | (388,827) |
| Effects of exchange rate changes | | 988 | 3,922 |
| Net (decrease)/increase in cash and cash equivalents | | (767,182) | 2,898,432 |
| Cash and cash equivalents at the start of the period | | 3,161,890 | 263,458 |
| Cash and cash equivalents at the end of the period | 15 | 2,394,708 | 3,161,890 |

Carr's Flour Mills Limited

Statement of accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to both the current and prior period, unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations, as adopted by the European Union, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. No IFRS's have been adopted before their effective date.

These financial statements are the first full period statements to be prepared in accordance with IFRS. Comparatives for 2005 have been restated to IFRS where applicable.

The financial statements are prepared on the historical cost basis of accounting, except where IFRS requires assets and liabilities to be measured at fair value.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The transitional information required to be disclosed by IFRS is included in Note 30.

Foreign currencies

The functional currency and presentational currency of the company is Sterling. Transactions in currencies other than Sterling are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Translation differences resulting from the settlement of such transactions and from the translation at exchange rates ruling at the balance sheet date of monetary assets and liabilities denominated in currencies other than the functional currency are recognised in the income statement.

Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration, net of rebates and excluding discounts and value added tax. Revenue from the sale of goods is recognised when the company has transferred the significant risks and rewards of ownership of the goods to the buyer, when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the company.

Retirement benefit obligations

The cost of providing retirement pensions and related benefits is charged to the income statement over the periods benefiting from the employee's service. The difference between the charge to the income statement and the contributions to the scheme is included as an asset or liability on the balance sheet. Employees are members of Carr's Milling Industries Pension Scheme 1993 and Carr's Flour Mills Group Personal Pension Plan.

Carr's Flour Mills Limited

Non-recurring items and amortisation

Non-recurring items and amortisation that are material by size and/or by nature are presented within their relevant income statement category. Items that management consider fall into this category are disclosed on the face of the income statement and within a note to the financial statements. The separate disclosure of non-recurring items and amortisation helps provide a better indication of the company's underlying business performance. Events which may give rise to non-recurring items and amortisation include gains or losses on the disposal of businesses, the restructuring of businesses, the integration of new businesses, asset impairments, gains and losses on the disposal of property, plant and equipment, the immediate recognition of negative goodwill and amortisation of intangible assets.

Interest

Interest is recognised in the income statement on an accruals basis using the effective interest method.

Goodwill

At the date of acquisition, goodwill is allocated to cash generating units for the purpose of impairment testing.

Goodwill is recognised as an asset and assessed for impairment annually. Any impairment is recognised immediately in the income statement. Once recognised, an impairment of goodwill is not reversed under any circumstance.

Negative goodwill is credited to the income statement in the period it occurs.

Other intangible assets

Other intangible assets are carried at cost less accumulated amortisation. Amortisation commences when assets are available for use. Customer relationships are being amortised in line with the profit streams generated over the life of the relationship. The life of the relationships range between 3 and 5 years.

Brands are being amortised on a straight line basis over a twenty year period, being the directors' estimate of the useful economic life.

The cost of intangible assets acquired in a business combination is the fair value at the acquisition date. The cost of separately acquired intangible assets comprises the purchase price and any directly attributable costs of preparing the assets for use.

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Cost comprises purchase price and directly attributable costs.

As permitted by IFRS1, the company has opted to treat previous revaluations of property made under UK GAAP as deemed cost at the date of transition.

Freehold land and assets under construction are not depreciated. For all other property, plant and equipment, depreciation is calculated on a straight-line basis to allocate cost less residual values of the assets over their estimated useful lives as follows:

| | |
|---------------------|-----------------------------------|
| Freehold buildings | up to 50 years |
| Leasehold buildings | shorter of 50 years or lease term |
| Plant and machinery | 5 to 20 years |
| Motor vehicles | 3 to 5 years |

Residual values and useful lives are reviewed at each financial period end.

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Investment property

Investment properties are properties held for long-term rental yields. Investment properties are carried in the balance sheet at cost less accumulated depreciation. Freehold land is not depreciated. For all other investment property, depreciation is calculated on a straight-line basis to allocate cost less residual values of the assets over their estimated useful lives as follows:

| | |
|--------------------|----------------|
| Freehold buildings | up to 50 years |
|--------------------|----------------|

The cost of maintenance, repairs and minor equipment is charged to the income statement as incurred, the cost of major renovations and improvements is capitalised.

Investments

Investments are initially measured at cost, including transaction costs. They are classified as either 'available-for-sale', 'fair values through profit or loss' or 'held to maturity'. Where securities are designated as 'at fair value through profit or loss', gains and losses arising from changes in fair value are included in net profit or loss for the period. For 'available-for-sale' investments, gains or losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured by other means are held at cost. 'Held-to-maturity' investments are measured at amortised cost using the effective interest method.

Non-current receivables

Non-current receivables do not carry any interest and are stated at their nominal value as reduced by an allowance, where appropriate, for estimated irrecoverable amounts.

Impairment of assets

At each reporting date, the company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the company makes an estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use and is determined for an individual asset. If the asset does not generate cash flows that are largely independent of those from other assets or groups of assets, the recoverable amount of the cash generating unit to which the asset belongs is determined. Discount rates reflecting the asset specific risks and the time value of the money are used for the value in use calculation.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Where appropriate, cost is calculated on a specific identification basis. Otherwise inventories are valued using the first-in first-out method.

Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

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Cash and cash equivalents

Cash and cash equivalents for the purposes of the cash flow statement comprise cash at bank and in hand, money market deposits and other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are presented in borrowings within current liabilities in the balance sheet.

Leasing

Leases are classified as finance leases at inception where substantially all of the risks and rewards of ownership are transferred to the company. Assets classified as finance leases are capitalised on the balance sheet and are depreciated over the expected useful life of the asset. The interest element of the rental obligations is charged to the income statement over the period of the lease using the actuarial method.

Rentals paid under operating leases are charged to the income statement on a straight-line basis over the term of the lease. Leasehold land is normally classified as an operating lease. Payments made to acquire leasehold land are included in prepayments at cost and are amortised over the life of the lease.

Any incentives to enter into operating leases are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax arising from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting or taxable profit or loss, is not recognised. Deferred tax is measured using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the asset is realised or the liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be achievable against which the temporary differences can be utilised. Tax is recognised in the income statement, unless the tax relates to items recognised directly in shareholders' equity, in which case the tax is recognised directly in the shareholders' equity through the statement of recognised income and expense.

Government grants

Grants received in respect of capital expenditure are recorded as deferred income and are taken to the income statement in equal annual instalments over the estimated useful lives of the assets concerned.

Dividends

Final equity dividends to the shareholders of the company are recognised in the period that they are approved by the shareholders. Interim equity dividends are recognised in the period that they are paid.

Financial instruments

Financial assets and liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Carr's Flour Mills Limited

Notes to the financial statements for the 52 week period ended 2 September 2006

1 Segmental reporting

At 2 September 2006, all of the activities of the company fall into one class of business, namely that of flour milling. All activities originated in the UK.

2 Operating profit

The following items have been included in arriving at operating profit

| | 2006 | 2005 |
|-------------------------------------------------------------------|-----------|-----------|
| | £ | £ |
| Staff costs (Note 4) | 6,926,530 | 4,123,347 |
| Foreign exchange loss | 988 | 3,922 |
| Depreciation of property, plant and equipment | | |
| - Owned assets | 1,342,649 | 1,139,130 |
| - Under finance leases | 264,377 | 197,314 |
| Loss/(profit) on disposal of property, plant and equipment | 10,338 | (4,782) |
| Depreciation of investment property | | |
| - Owned assets | 3,980 | 3,121 |
| Immediate recognition of negative goodwill | - | (43,547) |
| Amortisation of intangibles (included in administrative expenses) | 826,099 | 553,861 |
| Amortisation and release of government grants | (19,434) | (84,613) |
| Other operating lease rentals payable | | |
| - Plant and machinery | 67,025 | 48,894 |
| - Other | 392,796 | - |

Included within operating profit is the following in respect of investment property

| | 2006 | 2005 |
|--------------------|---------|---------|
| | £ | £ |
| Rental income | 6,372 | 5,254 |
| Operating expenses | (7,850) | (4,391) |
| | (1,478) | 863 |

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2 Operating profit (continued)

Services provided by the group's auditor and network firms

During the period the company obtained the following service from the group's auditor as detailed below

| | 2006 | 2005 |
|-----------------|--------|--------|
| | £ | £ |
| Statutory audit | 34,104 | 38,004 |

Taxation and general advice costs have been borne by the ultimate parent company

3 Non-recurring items and amortisation

During the period the company incurred the following expenses which resulted in a reduction in profit of £826,099 (2005 £860,314)

| | 2006 | 2005 |
|--------------------------------------------|-----------|-----------|
| | £ | £ |
| Cost of reorganisation | - | (350,000) |
| Immediate recognition of negative goodwill | - | 43,547 |
| Amortisation of intangible assets | (826,099) | (553,861) |
| | (826,099) | (860,314) |

4 Employees and directors

Staff costs for the company during the period

| | 2006 | 2005 |
|---------------------------------|-----------|-----------|
| | £ | £ |
| Wages and salaries | 5,887,073 | 3,502,385 |
| Social security costs | 602,654 | 358,839 |
| Charge for share based payments | 6,406 | - |
| Pension costs | 430,397 | 262,123 |
| | 6,926,530 | 4,123,347 |

Carr's Flour Mills Limited

4 Employees and directors (continued)

The average monthly number of people (including executive directors) employed was

| | 2006 | 2005 |
|--------------------------------|--------|--------|
| | Number | Number |
| Sales, office and management | 86 | 54 |
| Manufacturing and distribution | 124 | 82 |
| | 210 | 136 |

Key management compensation

| | 2006 | 2005 |
|----------------------------------|---------|---------|
| | £ | £ |
| Salaries and short term benefits | 404,560 | 299,536 |
| Post-employment benefits | 62,552 | 40,636 |
| | 467,112 | 340,172 |

Key management are considered to be the directors of the company

5 Interest income and interest expense

| | 2006 | 2005 |
|------------------------------------------------------------|------------------|------------------|
| | £ | £ |
| Interest income | | |
| Bank interest receivable | 94,310 | 23,221 |
| Interest receivable on amounts due from group undertakings | 3,828 | 4,295 |
| Total interest receivable | 98,138 | 27,516 |
| Interest expense | | |
| Interest payable on amounts due to group undertakings | (216,570) | (95,465) |
| Interest payable on finance leases | (62,497) | (47,893) |
| Total interest payable | (279,067) | (143,358) |

Carr's Flour Mills Limited

6 Taxation

(a) Analysis of charge in the period

| | 2006 | 2005 |
|----------------------------------------|----------------|----------------|
| | £ | £ |
| Continuing operations | | |
| Current tax | 968,499 | 532,932 |
| Adjustment in respect of prior periods | (219,487) | (2,824) |
| Deferred tax (Note 22) | (284,931) | (208,100) |
| Taxation | 464,081 | 322,008 |

(b) Factors affecting tax charge for the period

The tax assessed for the period is lower (2005 higher) than the standard rate of corporation tax in the UK. The differences are explained below

| | 2006 | 2005 |
|------------------------------------------------------------------------------------------------------------------------------|------------------|----------------|
| | £ | £ |
| Profit on ordinary activities before taxation | 2,267,229 | 886,806 |
| Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 30% (2005 30%) | 680,169 | 266,042 |
| <i>Effects of</i> | | |
| Adjustments to tax in respect of prior periods | (267,322) | (2,891) |
| Other short term timing differences | - | (1,066) |
| Expenses not deductible for tax purposes | 51,642 | 56,759 |
| Other | (408) | 3,164 |
| Tax charge for the period | 464,081 | 322,008 |

There are no factors which are expected to significantly affect the taxation charge in future

7 Dividends paid

| | 2006 | 2005 |
|---------------------------------------------------|-----------|---------|
| | £ | £ |
| Ordinary shares £5 972 (2005 £0 550) per £1 share | 1,238,000 | 114,000 |

The preference shareholder has waived its rights to the preference dividend

The proposed dividend in respect of the period ended 2 September 2006 is £2,100,000, being £10 13 per £1 share

Carr's Flour Mills Limited

8 Intangible fixed assets

| | Customer relationships £ | Brands £ | Total £ |
|------------------------------------------|--------------------------------|-------------|------------|
| Cost | | | |
| At 4 September 2005 and 2 September 2006 | 1,663,210 | 344,986 | 2,008,196 |
| Amortisation | | | |
| At 4 September 2005 | 538,082 | 15,779 | 553,861 |
| Charge for the period | 791,515 | 34,584 | 826,099 |
| At 2 September 2006 | 1,329,597 | 50,363 | 1,379,960 |
| Net book amount at 2 September 2006 | 333,613 | 294,623 | 628,236 |

| | Customer relationships £ | Brands £ | Total £ |
|-------------------------------------|--------------------------------|-------------|------------|
| Cost | | | |
| At 29 August 2004 | - | - | - |
| Additions | 1,663,210 | 344,986 | 2,008,196 |
| At 3 September 2005 | 1,663,210 | 344,986 | 2,008,196 |
| Amortisation | | | |
| At 29 August 2004 | - | - | - |
| Charge for the period | 538,082 | 15,779 | 553,861 |
| At 3 September 2005 | 538,082 | 15,779 | 553,861 |
| Net book amount at 3 September 2005 | 1,125,128 | 329,207 | 1,454,335 |

On 27 March 2005 the trade and net assets of Carrs Animal Feed Supplements Limited (formerly Meneba UK Holdings Limited) and its wholly owned subsidiary undertakings, Greens Flour Mills Limited and Robert Hutchison Limited, were hived up into Carr's Flour Mills Limited

Customer relationships are being amortised in line with the profit streams generated over the life of the relationship. The life of the relationships range between 3 and 5 years.

Brands are being amortised on a straight line basis over a 20 year period, being the directors' estimate of the useful economic life.

Carr's Flour Mills Limited

9 Property, plant and equipment

| | Land and buildings £ | Plant and machinery £ | Motor vehicles £ | Total £ |
|---------------------------------|----------------------------|-----------------------------|------------------------|-------------------|
| Cost | | | | |
| At 4 September 2005 | 5,476,091 | 21,111,219 | 1,010,363 | 27,597,673 |
| Additions at cost | 20,168 | 1,820,348 | 188,198 | 2,028,714 |
| Disposals | - | (814,670) | (172,188) | (986,858) |
| At 2 September 2006 | 5,496,259 | 22,116,897 | 1,026,373 | 28,639,529 |
| Accumulated depreciation | | | | |
| At 4 September 2005 | 1,000,289 | 14,588,073 | 423,331 | 16,011,693 |
| Charge for the period | 153,339 | 1,316,870 | 136,817 | 1,607,026 |
| Disposals | - | (814,670) | (130,310) | (944,980) |
| At 2 September 2006 | 1,153,628 | 15,090,273 | 429,838 | 16,673,739 |
| Net book amount | | | | |
| At 2 September 2006 | 4,342,631 | 7,026,624 | 596,535 | 11,965,790 |

Included in the above amounts for plant and machinery and motor vehicles are assets held under finance leases with a book value of £1,330,035 (2005 £1,209,446)

Carr's Flour Mills Limited

9 Property, plant and equipment (continued)

| | Land and buildings £ | Plant and machinery £ | Motor vehicles £ | Assets in the course of construction £ | Total £ |
|---------------------------------|----------------------------|-----------------------------|------------------------|-------------------------------------------------|-------------------|
| Cost | | | | | |
| At 29 August 2004 | 2,913,360 | 12,820,864 | 1,000,103 | 212,216 | 16,946,543 |
| Reclassifications | - | 212,216 | - | (212,216) | - |
| Additions at cost | 46,382 | 255,570 | 222,545 | - | 524,497 |
| Transfers from group companies | 2,793,760 | 7,900,383 | 101,477 | - | 10,795,620 |
| Transfers to group companies | (277,411) | (77,814) | (80,277) | - | (435,502) |
| Disposals | - | - | (233,485) | - | (233,485) |
| At 3 September 2005 | 5,476,091 | 21,111,219 | 1,010,363 | - | 27,597,673 |
| Accumulated depreciation | | | | | |
| At 29 August 2004 | 449,988 | 8,316,240 | 502,355 | - | 9,268,583 |
| Charge for the period | 240,462 | 973,344 | 122,638 | - | 1,336,444 |
| Transfers from group companies | 351,701 | 5,354,649 | 89,703 | - | 5,796,053 |
| Transfers to group companies | (41,862) | (56,160) | (61,188) | - | (159,210) |
| Disposals | - | - | (230,177) | - | (230,177) |
| At 3 September 2005 | 1,000,289 | 14,588,073 | 423,331 | - | 16,011,693 |
| Net book amount | | | | | |
| At 3 September 2005 | 4,475,802 | 6,523,146 | 587,032 | - | 11,585,980 |

Carr's Flour Mills Limited

10 Investment property

| | Land and buildings £ |
|--------------------------------------------|----------------------------|
| Cost | |
| At 4 September 2005 and 2 September 2006 | 199,000 |
| Accumulated depreciation | |
| At 4 September 2005 | 30,713 |
| Charge for the period | 3,980 |
| At 2 September 2006 | 34,693 |
| Net book amount at 2 September 2006 | 164,307 |

| | Land and buildings £ |
|--------------------------------------------|----------------------------|
| Cost | |
| At 29 August 2004 | - |
| Transfers from group companies | 199,000 |
| At 3 September 2005 | 199,000 |
| Accumulated depreciation | |
| At 29 August 2004 | - |
| Transfers from group companies | 27,592 |
| Charge for the period | 3,121 |
| At 3 September 2005 | 30,713 |
| Net book amount at 3 September 2005 | 168,287 |

The directors do not consider that the fair value of investment properties differs materially from carrying value

Carr's Flour Mills Limited

11 Investments

Investments in subsidiaries

| | 2006 £ | 2005 £ |
|-----------------------------------------------------------------|-----------|-----------|
| Cost and net book value | | |
| At 29 August 2004, 4 September 2005 and 2 September 2006 | 2 | 2 |

Investments in subsidiaries are stated at cost. A list of principal subsidiary undertakings is given below

| | Country of incorporation | % holding | Nature of business |
|----------------------------------|--------------------------|-----------|--------------------|
| George Shackleton & Sons Limited | Republic of Ireland | 100 | Dormant company |

Consolidated accounts have not been prepared as the company is exempt from preparing and delivering to the Registrar of Companies consolidated financial statements. This is because it is included in the consolidated financial statements of a larger group drawn up to the same date, which are publicly available. See Note 31 for further details.

Other investments

| | 2006 £ | 2005 £ |
|----------------------------------|--------------|--------------|
| Cost and net book value | | |
| Brought forward | 4,261 | 1,464 |
| Transferred from group companies | - | 1,000 |
| Additions | - | 1,797 |
| Carried forward | 4,261 | 4,261 |

Other investments principally comprise shares in several private companies in the agricultural sector. As a result of adoption of IAS 32 and IAS 39, these investments have been classified as unquoted investments for which fair value cannot be reliably measured and are held at cost.

12 Non-current receivables

| | 2006 £ | 2005 £ |
|------------------|-----------|-----------|
| Loans receivable | 7,998 | 20,400 |

Loans receivable comprise loans to customers.

Carr's Flour Mills Limited

13 Inventories

| | 2006 | 2005 |
|-------------------------------|-----------|-----------|
| | £ | £ |
| Raw materials and consumables | 1,820,842 | 1,827,929 |
| Finished goods | 504,139 | 529,533 |
| | 2,324,981 | 2,357,462 |

£30,000 (2005 £24,687) has been recognised as an expense within the income statement in respect of inventory write-downs during the current period

14 Trade and other receivables

| | 2006 | 2005 |
|---------------------------------------------------|------------|-----------|
| | £ | £ |
| Trade receivables | 9,626,680 | 8,224,526 |
| Less provision for impairment of receivables | (398,083) | (328,849) |
| Trade receivables – net | 9,228,597 | 7,895,677 |
| Amounts owed by group undertakings (Note 29) | 762,889 | 193,383 |
| Amounts owed by associated undertakings (Note 29) | - | 1,300 |
| Loans receivable | 13,401 | - |
| Other receivables | 229,676 | 509,329 |
| Prepayments | 94,980 | 294,470 |
| | 10,329,543 | 8,894,159 |

Amounts owed by group undertakings are unsecured and have no fixed repayment date

15 Cash and cash equivalents

| | 2006 | 2005 |
|--------------------------|-----------|-----------|
| | £ | £ |
| Cash at bank and in hand | 2,394,708 | 3,161,890 |

Carr's Flour Mills Limited

16 Trade and other payables

| | 2006 | 2005 |
|---------------------------------------------------|------------------|------------------|
| | £ | £ |
| Trade payables | 3,525,495 | 4,169,028 |
| Amounts owed to group undertakings (Note 29) | 748,140 | 55,258 |
| Amounts owed to associated undertakings (Note 29) | 1,705 | 1,101 |
| Other tax and social security payable | 230,502 | 248,630 |
| Other payables | - | 16,440 |
| Accruals and deferred income | 1,172,850 | 878,601 |
| | 5,678,692 | 5,369,058 |

Amounts owed to group undertakings are unsecured and have no fixed repayment date

17 Borrowings

| | 2006 | 2005 |
|-----------------------------------------|-------------------|-------------------|
| | £ | £ |
| Current | | |
| Loans from group undertakings (Note 29) | 13,002,738 | 13,002,738 |
| Finance lease obligations | 407,675 | 357,858 |
| | 13,410,413 | 13,360,596 |
| Non-current | | |
| Finance lease obligations | 437,988 | 536,645 |

Loans from group undertakings are unsecured

The effective interest rates at the balance sheet date were as follows

| | 2006 | 2005 |
|------------------|------|------|
| | % | % |
| Other borrowings | 6.50 | 6.25 |
| Finance lease | 6.90 | 6.90 |

Carr's Flour Mills Limited

17 Borrowings (continued)

Future minimum payments under finance leases are as follows

| | 2006 £ | 2005 £ |
|-----------------------------------------------------|----------------|----------------|
| Within one year | 449,220 | 405,811 |
| In more than one year, but not more than five years | 509,174 | 614,969 |
| Total gross payments | 958,394 | 1,020,780 |
| Less future finance charges | (112,731) | (126,277) |
| Total | 845,663 | 894,503 |

18 Current tax liabilities

| | 2006 £ | 2005 £ |
|-----------------|----------------|----------------|
| Corporation tax | 312,443 | 802,762 |
| Group relief | 342,672 | - |
| | 655,115 | 802,762 |

19 Deferred income

| | 2006 £ | 2005 £ |
|-------------------------|----------------|----------------|
| Grants | | |
| Brought forward | 185,058 | 244,271 |
| Additions | - | 25,400 |
| Released in period | - | (35,000) |
| Amortisation for period | (19,434) | (49,613) |
| Carried forward | 165,624 | 185,058 |

Carr's Flour Mills Limited

20 Financial instruments

In accordance with IAS 39, "Financial Instruments Recognition and measurement", Carr's Flour Mills Limited have reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No such embedded derivatives were identified from this review. There are no outstanding financial instruments that are designated as hedges at the balance sheet date.

Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at prevailing interest rates and by applying year end exchange rates. The fair value of current borrowings approximate to book value.

| | 2006 Book value £ | 2006 Fair value £ | 2005 Book value £ | 2005 Fair value £ |
|-----------------------------------------------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Fair value of non-current financial assets and financial liabilities | | | | |
| Non-current receivables (Note 12) | 7,998 | 7,998 | 20,400 | 20,400 |
| Non-current borrowings (Note 17) | (437,988) | (437,988) | (536,645) | (536,645) |
| Other non-current liabilities (Note 19) | (165,624) | (165,624) | (185,058) | (185,058) |
| Fair value of current financial assets and financial liabilities | | | | |
| Trade and other receivables (Note 14) | 10,329,543 | 10,329,543 | 8,894,159 | 8,894,159 |
| Cash at bank and in hand (Note 15) | 2,394,708 | 2,394,708 | 3,161,890 | 3,161,890 |
| Trade and other payables (Note 16) | (5,678,692) | (5,678,692) | (5,369,058) | (5,369,058) |
| Current borrowings (Note 17) | (13,410,413) | (13,410,413) | (13,360,596) | (13,360,596) |

The fair values are based on the book values as the directors do not consider that there is a material difference between the book values and the fair values.

Maturity of financial liabilities

The maturity profile of the carrying amount of the company's non-current borrowings, at 2 September 2006, was as follows:

| | 2006 Finance leases £ | 2005 Finance leases £ |
|-----------------------------------------------------|--------------------------------|--------------------------------|
| In more than one year but not more than two years | 219,457 | 322,388 |
| In more than two years but not more than five years | 218,531 | 214,257 |
| | 437,988 | 536,645 |

Borrowing facilities

The company is included within a group overdraft facility and it is therefore not possible to determine the undrawn committed facilities available to the company at the balance sheet date.

Carr's Flour Mills Limited

21 Retirement benefits

(a) Carr's Milling Industries Pension Scheme 1993

The company participates in a group pension scheme operated by Carr's Milling Industries PLC. The pension scheme offers a defined benefit and a defined contribution section. The assets of the scheme are held separately from those of the company and are invested with an independent manager. The defined benefit section of the scheme 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 2006.

The pension expenses for the defined benefit section of the scheme for the period was £116,827 (2005 £117,971). The pension expense for the defined contribution section of the scheme for the period was £53,912 (2005 £49,409). There were no outstanding contributions for the scheme at the period end (2005 £Nil).

Recognition of the defined benefit deficit and related disclosures required by IAS19 in respect of the group scheme are provided in the Carr's Milling Industries PLC financial statements. This includes details of the pension deficit of £15.8 million (2005 £12.1 million) on the group scheme at 2 September 2006. This was calculated in accordance with the pension scheme requirements of IAS19 and reflected pension scheme assets of £30.0 million (2005 £27.4 million) and £45.8 million (2005 £39.5 million) of pension scheme liabilities. The group increased the employer contribution rate in January 2003 following the triennial valuation of the scheme.

Costs are not defined for each individual company as the company is unable to identify its underlying share of the pension scheme assets and liabilities in the scheme. Contributions payable by Carr's Flour Mills Limited are therefore charged to the profit and loss account in the period they fall due. Common contribution rates apply across the Carr's Milling Industries PLC group as a whole and a number of company reorganisations have occurred.

| Major assumptions | 2006 % | 2005 % |
|--------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
| Inflation | 3.0 | 2.75 |
| Salary increases | 4.0 | 3.75 |
| Rate of discount | 5.1 | 5.4 |
| Pension in payment increases | | |
| Pre 1 September 2001 | 3.25 | 3.0 |
| Post 1 September 2001 | 3.0 | 2.75 |
| Revaluation rate for deferred pensioners for pensions revaluing at 5.0% per annum or RPI if less | 3.0 | 2.75 |
| Movements in the present value of defined benefit obligations | 2006 £'000 | 2005 £'000 |
| At the beginning of the period | 39,556 | 33,991 |
| Current service cost | 714 | 513 |
| Interest cost | 2,131 | 2,037 |
| Changes in assumptions underlying the defined benefit obligation | 4,258 | 3,561 |
| Benefits paid | (865) | (546) |
| At the end of the period | 45,794 | 39,556 |

Carr's Flour Mills Limited

21 Retirement benefits (continued)

Movements in the fair value of scheme assets

| | 2006 £'000 | 2005 £'000 |
|-----------------------------------------------------|---------------|---------------|
| At the beginning of the period | 27,437 | 23,051 |
| Expected return on scheme assets | 1,771 | 1,618 |
| Actual return less expected return on scheme assets | 358 | 2,018 |
| Contributions by employer | 1,297 | 1,296 |
| Benefits paid | (865) | (546) |
| At the end of the period | 29,998 | 27,437 |

Analysis of the scheme assets, expected rate of return and actual return

| | Expected return | | Fair value of assets | |
|--------------------------------|-----------------|-----------|----------------------|---------------|
| | 2006 % | 2005 % | 2006 £'000 | 2005 £'000 |
| Equity instruments | 7.5 | 7.5 | 15,776 | 14,520 |
| Debt instruments | 4.75 | 5.0 | 11,936 | 10,629 |
| Property | 7.0 | 6.5 | 1,831 | 1,665 |
| Other assets | 4.75 | 4.5 | 455 | 623 |
| | 6.3 | 6.4 | 29,998 | 27,437 |
| Actual return on scheme assets | | | 2,129 | 3,636 |

The expected long term return on cash is equal to bank base rates at the balance sheet date. The expected return on bonds is determined by reference to UK long dated gilt and bond yields at the balance sheet date. The expected rate of return on equities and property have been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions at the balance sheet date.

(b) Carr's Flour Mills Group Personal Pension Plan

The company also participates in a Group Personal Pension plan. The assets of the scheme are held separately from those of the company in an independently administered fund.

The pension cost for the period charged to the income statement is £259,658 (2005L £94,743). There were no outstanding contributions due for the scheme at the period end (2005 £Nil).

Carr's Flour Mills Limited

22 Deferred taxation

The movement on the deferred tax account is shown below

| | 2006 £ | 2005 £ |
|----------------------------------|------------------|------------------|
| Brought forward | 2,260,042 | 1,280,034 |
| Transferred from group companies | - | 313,649 |
| In respect of hive up | - | 874,459 |
| Income statement credit (Note 6) | (284,931) | (208,100) |
| Carried forward | 1,975,111 | 2,260,042 |

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same legal jurisdiction as permitted by IAS 12) during the period are shown below

| Deferred tax liabilities | Accelerated capital allowances £ | Other £ | Total £ |
|----------------------------------|-------------------------------------------|----------------|------------------|
| At 4 September 2005 | 1,977,085 | 288,572 | 2,265,657 |
| Income statement credit (Note 6) | (290,546) | - | (290,546) |
| At 2 September 2006 | 1,686,539 | 288,572 | 1,975,111 |

| Deferred tax assets | Other £ | Total £ |
|----------------------------------|------------|------------|
| At 4 September 2005 | 5,615 | 5,615 |
| Income statement charge (Note 6) | (5,615) | (5,615) |
| At 2 September 2006 | - | - |

| | Total £ |
|-----------------------------------|------------------|
| Net deferred tax liability | 1,975,111 |

Carr's Flour Mills Limited

23 Called up share capital

| | 2006 £ | 2005 £ |
|---------------------------------------------------------------------|-----------|-----------|
| Authorised | | |
| 250,000 (2005 250,000) ordinary shares of £1 each | 250,000 | 250,000 |
| 250,000 (2005 250,000) 3 5% redeemable preference shares of £1 each | 250,000 | 250,000 |
| Allotted and fully paid | | |
| 207,307 (2005 207,307) ordinary shares of £1 each | 207,307 | 207,307 |
| Nil (2005 207,286) 3 5% redeemable preference shares of £1 each | - | 207,286 |

As the preference shares are held by one party being the company's ultimate parent undertaking Carr's Milling Industries PLC the directors consider that the preference shares in substance more represent equity than debt

The preference shares were redeemed during the period at par

24 Statement of changes in shareholders' equity

| | Share capital £ | Capital redemption reserve £ | Equity compensation reserve £ | Other reserves £ | Retained earnings £ | Total £ |
|-------------------------------------------------|--------------------|---------------------------------|----------------------------------|---------------------|------------------------|------------------|
| At 4 September 2005 | 414,593 | - | - | 753,868 | 3,964,154 | 5,132,615 |
| Profit for the financial period | - | - | - | - | 1,803,148 | 1,803,148 |
| Equity-settled share-based payment transactions | - | - | 6,406 | - | - | 6,406 |
| Dividends paid | - | - | - | - | (1,238,000) | (1,238,000) |
| Redemption of preference shares | (207,286) | 207,286 | - | - | (207,286) | (207,286) |
| Transfer from other reserve | - | - | - | (10,138) | 10,138 | - |
| At 2 September 2006 | 207,307 | 207,286 | 6,406 | 743,730 | 4,332,154 | 5,496,883 |

| | Share capital £ | Other reserves £ | Retained earnings £ | Total £ |
|---------------------------------|--------------------|---------------------|------------------------|------------------|
| At 29 August 2004 | 414,593 | 961,906 | 3,305,318 | 4,681,817 |
| Profit for the financial period | - | - | 564,798 | 564,798 |
| Dividends paid | - | - | (114,000) | (114,000) |
| Transfer from other reserve | - | (208,038) | 208,038 | - |
| At 3 September 2005 | 414,593 | 753,868 | 3,964,154 | 5,132,615 |

Carr's Flour Mills Limited

25 Cash flow from operating activities

Reconciliation of net profit for the period to net cash generated from operating activities

| | 2006 | 2005 |
|------------------------------------------------------------|------------------|------------------|
| | £ | £ |
| Continuing operations | | |
| Net profit | 1,803,148 | 564,798 |
| <i>Adjustments for</i> | | |
| Tax | 464,081 | 322,008 |
| Interest income | (98,138) | (27,516) |
| Interest expense | 279,067 | 143,358 |
| Depreciation | 1,611,006 | 1,339,565 |
| Amortisation and release of government grants | (19,434) | (84,613) |
| Amortisation of intangible assets | 826,099 | 553,861 |
| Immediate recognition of negative goodwill | - | (43,547) |
| Exchange gains on foreign bank balances and borrowings | (988) | (3,922) |
| Loss/(profit) on disposal of property, plant and equipment | 10,338 | (4,782) |
| Net fair value loss on share based payments | 6,406 | - |
| Decrease in non-current receivables | 12,402 | - |
| <i>Changes in working capital</i> | | |
| Decrease in inventories | 32,481 | 240,045 |
| (Increase)/decrease in trade and other receivables | (843,614) | 574,976 |
| Decrease in trade and other payables | (286,725) | (344,669) |
| Cash generated from operations | 3,796,129 | 3,229,562 |

Carr's Flour Mills Limited

26 Commitments under operating leases

| | 2006 Other | 2005 Other |
|---------------------------------------------------------------------|-----------------------|-----------------------|
| | £ | £ |
| Commitments under non-cancellable operating leases expiring: | | |
| Within one year | 392,820 | 62,428 |
| Later than one year and less than five years | 304,738 | 85,832 |
| | 697,558 | 148,260 |

27 Capital commitments

| | 2006 | 2005 |
|------------------------------------------------------------------------------------------|----------------|-------------|
| | £ | £ |
| Contracts placed for future capital expenditure not provided in the financial statements | 181,510 | - |

28 Contingent liabilities

The company has given an unlimited cross guarantee with regard to all amounts owing to Clydesdale Bank PLC by its parent company and fellow subsidiary companies. At 2 September 2006 the aggregate amount outstanding under these group banking arrangements was £7,345,496 (2005 £9,467,665)

Carr's Flour Mills Limited

29 Related party transactions

The company has the following transactions with related entities

In respect of the period ended 2 September 2006:

Transactions with ultimate parent company and fellow group companies

| | Sales to | Purchases from | Management charges from | Interest payable to | Interest receivable from | Dividends paid to | Amounts owed from | Amounts owed to |
|-----------------------------------------------------|----------|----------------|-------------------------|---------------------|--------------------------|-------------------|-------------------|-----------------|
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Carr's Milling Industries PLC | - | - | (433,000) | (216,570) | 3,828 | (1,238,000) | 69,904 | (7,618,088) |
| Carrs Billington Agriculture (Sales) Limited | 3,388 | (269,178) | - | - | - | - | 5,047 | (34,451) |
| Carrs Agriculture Limited | - | - | - | - | - | - | 20,692 | (2,644) |
| Carrs Engineering Limited | 3,889 | (8,354) | - | - | - | - | 1,591 | (4,989) |
| Tax recoverable from other group companies | - | - | - | - | - | - | 591,770 | (656,056) |
| Inter company balances with dormant group companies | - | - | - | - | - | - | 73,885 | (5,434,650) |
| | 7,277 | (277,532) | (433,000) | (216,570) | 3,828 | (1,238,000) | 762,889 | (13,750,878) |

Other related party transactions

| | Sales to | Purchases from | Management charges from | Interest payable to | Interest receivable from | Dividends paid to | Amounts owed from | Amounts owed to |
|---------------------------------------------------|----------|----------------|-------------------------|---------------------|--------------------------|-------------------|-------------------|-----------------|
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Carrs Billington Agriculture (Operations) Limited | 7,983 | - | - | - | - | - | - | (1,705) |

Carrs Billington Agriculture (Operations) Limited is an associate of Carr's Milling Industries PLC, the company's immediate parent

Carr's Flour Mills Limited

29 Related party transactions (continued)

In respect of the period ended 3 September 2005

| | Sales to £ | Purchases from £ | Management charges from £ | Interest payable to £ | Interest receivable from £ | Dividends paid to £ | Amounts owed from £ | Amounts owed to £ |
|-----------------------------------------------------|---------------|---------------------|------------------------------|--------------------------|-------------------------------|------------------------|------------------------|----------------------|
| Carr's Milling Industries PLC | - | - | (500,500) | (95,465) | 4,295 | (114,000) | 67,576 | (7,582,892) |
| Carrs Billington Agriculture (Sales) Limited | 1,862 | (77,037) | - | - | - | - | 190 | (35,095) |
| Carrs Agriculture Limited | - | - | - | - | - | - | 49,828 | (340) |
| Carrs Engineering Limited | - | (50,700) | - | - | - | - | 1,904 | (3,675) |
| George Shackleton & Sons Limited | - | - | - | - | - | - | 73,885 | - |
| Robert Hutchison Limited | 281,541 | - | - | - | - | - | - | (4,144,069) |
| Greens Flour Mills Limited | 5,528 | - | - | - | - | - | - | (1,021,419) |
| BRB Trust Limited | - | - | - | - | - | - | - | (1,344) |
| Inter company balances with dormant group companies | - | - | - | - | - | - | - | (269,162) |
| | 288,931 | (127,737) | (500,500) | (95,465) | 4,295 | (114,000) | 193,383 | (13,057,996) |

Other related party transactions

| | Sales to £ | Purchases from £ | Management charges from £ | Interest payable to £ | Interest receivable from £ | Dividends paid to £ | Amounts owed from £ | Amounts owed to £ |
|---------------------------------------------------|---------------|---------------------|------------------------------|--------------------------|-------------------------------|------------------------|------------------------|----------------------|
| Carrs Billington Agriculture (Operations) Limited | 15,309 | - | - | - | - | - | 1,300 | (1,101) |

Carr's Flour Mills Limited

30 Transition from UK GAAP to IFRS

Set out below, in accordance with the provisions of IFRS 1 "First-time Adoption of International Financial Reporting Standards" are the reconciliations of net assets and profit after tax from UK GAAP to IFRS

| | 3 September 2005 £ | 29 August 2004 £ |
|--------------------------------------------------|--------------------------|------------------------|
| Net assets – UK GAAP | 4,478,956 | 4,876,226 |
| Adjustments to conform to IFRS | | |
| Dividends | 1,238,000 | 114,000 |
| Employments benefits – provision for holiday pay | - | (24,386) |
| Goodwill and intangible asset adjustments | 465,540 | - |
| Property, plant and equipment | 7,706 | - |
| Deferred tax | (999,184) | (284,023) |
| Other | (58,403) | - |
| Net assets - IFRS | 5,132,615 | 4,681,817 |

| | 3 September 2005 £ |
|-------------------------------------------------|--------------------------|
| Profit after tax – UK GAAP | 840,730 |
| Adjustments to conform to IFRS | |
| Employment benefits – provision for holiday pay | 24,386 |
| Goodwill and intangible asset adjustments | (467,322) |
| Property, plant and equipment | 7,706 |
| Deferred tax | 159,298 |
| Profit after tax – IFRS | 564,798 |

Under IAS 7 "Cash Flow Statements", movements on cash and cash equivalents are reconciled, under UK GAAP the statement reconciles cash only. The change to IAS 7 approach makes no difference to the levels of free cash generated by the group.

Dividends

IAS 10 requires that dividends declared after the balance sheet date should not be recognised as a liability at that date as the dividend does not represent a present obligation. Under UK GAAP, the period end balance sheet includes an accrual for the proposed final dividend.

Carr's Flour Mills Limited

30 Transition from UK GAAP to IFRS (continued)

Goodwill and intangible assets

IAS 38 prohibits the amortisation of goodwill. Instead goodwill is subject to an annual impairment review.

IFRS required the acquirer of a business to identify and value acquired intangible assets. This has resulted in the recognition of customer relationships and brands on the face of the balance sheet in respect of the hive up of the trade and net assets of Carrs Animal Feeds Supplements Limited (formerly Meneba UK Holding Limited) and its wholly owned subsidiaries Robert Hutchison Limited and Greens Flour Mills Limited.

The negative goodwill (excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over costs) arising from the recognition of customer relationships and brands has been recognised immediately in the income statement.

Deferred tax

IAS12 "Income taxes" has a wider scope for recognising deferred tax than existing UK GAAP and requires full provision for all taxable temporary differences between the deferred tax balances and charges under IFRS compared to UK GAAP including differences in the treatment of deferred tax on intra-group transactions. These differences result in an increase of £999,184 in the deferred tax liability at 3 September 2005 (29 August 2004: an increase of £284,023).

31 Ultimate parent undertaking and controlling party

The immediate and ultimate parent undertaking and controlling party is Carr's Milling Industries PLC, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Carr's Milling Industries PLC consolidated financial statements can be obtained from the Company Secretary at Carr's Milling Industries PLC, Old Croft, Stanwix, Carlisle, CA3 9BA.