

Carr's Flour Mills Limited  
Annual report  
for the year ended 30 August 1997

Registered no: 480341



# **Carr's Flour Mills Limited**

## **Annual report for the year ended 30 August 1997**

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## **Directors' report for the year ended 30 August 1997**

The directors present their report and the audited financial statements for the year ended 30 August 1997.

### **Principal activity**

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

### **Review of business and future developments**

The loss for the year after taxation amounted to £882,152, after an exceptional provision of £1,545,910 (see note 4 to the financial statements). The directors are satisfied with the results for the year and the prospects for the future after taking into account the exceptional provision made in the year (note 4).

### **Dividends**

The directors have declared an ordinary dividend in respect of the year ended 30 August 1997 of £549,000 (1996: £660,000)

### **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 18 days of average purchases for goods and services made during the year.

### **Directors and directors' interests**

The directors who held office during the year were:

I C Carr (Chairman)  
J E Tudor  
R C Wood  
D E Lines  
J Holmes  
C N C Holmes

I C Carr and J E Tudor retire by rotation and, being eligible, offer themselves for re-election.

I C Carr, 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 30 August 1997 and 1 September 1996.

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 and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 August 1997. 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

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board



R C Wood  
Secretary  
Stanwix  
Carlisle

27 November 1997

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

We have audited the financial statements on pages 4 to 16.

### **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.

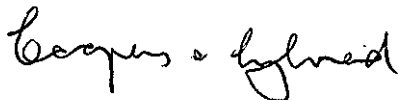
### **Basis of opinion**

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 30 August 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Coopers & Lybrand**  
Chartered Accountants and Registered Auditors  
Leeds  
27 November 1997

## **Profit and loss account for the year ended 30 August 1997**

	Notes	1997 £	1996 £
<b>Turnover</b>	2	<b>15,815,379</b>	18,234,430
Cost of sales		(13,484,444)	(15,773,070)
<b>Gross profit</b>		<b>2,330,935</b>	2,461,360
Operating expenses - normal	3	(1,563,836)	(1,625,728)
Operating expenses - exceptional	4	(1,545,910)	-
<b>Operating (loss)/profit</b>		<b>(778,811)</b>	835,632
Interest receivable	7	211,462	221,707
Interest payable	8	(83,840)	(51,268)
<b>(Loss)/profit on ordinary activities before taxation</b>	9	<b>(651,189)</b>	1,006,071
Tax on profit on ordinary activities	10	(230,963)	(352,393)
<b>(Loss)/profit on ordinary activities after taxation</b>		<b>(882,152)</b>	653,678
Dividends	11	(549,000)	(660,000)
<b>Deficit for the year</b>	23	<b>(1,431,152)</b>	(6,322)

All items dealt with in arriving at operating profit for 1997 and 1996 relate to continuing operations.

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

### **Note of historical cost profits and losses**

	1997 £	1996 £
Reported (loss)/profit on ordinary activities before taxation	(651,189)	1,006,071
Difference between historical cost depreciation charge and actual charge on revalued amount of fixed assets	8,693	8,693
<b>Historical cost (loss)/profit on ordinary activities before taxation</b>	<b>(642,496)</b>	1,014,764
<b>Historical cost (loss)/profit for the year after taxation and dividends</b>	<b>(1,422,459)</b>	2,371

## Balance sheet at 30 August 1997

	Notes	1997 £	1996 £
<b>Fixed assets</b>			
Tangible assets	12	6,234,320	6,104,552
<b>Current assets</b>			
Stocks	13	721,162	934,498
Debtors: amounts falling due within one year	14	5,975,772	7,632,874
Debtors: amounts falling due after more than one year	15	37,667	49,750
Cash at bank and in hand		-	90,491
<b>Creditors: amounts falling due within one year</b>	16	6,734,601 (6,834,177)	8,707,613 (7,130,182)
<b>Net current (liabilities)/assets</b>		(99,576)	1,577,431
<b>Total assets less current liabilities</b>		6,134,744	7,681,983
<b>Creditors: amounts falling due after more than one year</b>	17	(121,625)	(169,873)
<b>Provisions for liabilities and charges</b>	18	(948,000)	(967,000)
<b>Government grants</b>	19	(410,605)	(459,444)
		(1,480,230)	(1,596,317)
<b>Net assets</b>		4,654,514	6,085,666
<b>Capital and reserves</b>			
Called-up share capital	21	414,593	414,593
Revaluation reserve	22	1,211,298	1,211,298
Profit and loss account	22	3,028,623	4,459,775
<b>Equity shareholders' funds</b>		4,447,228	5,878,380
<b>Non equity shareholders' funds</b>		207,286	207,286
<b>Total shareholders' funds</b>	23	4,654,514	6,085,666

The financial statements on pages 4 to 16 were approved by the board of directors on 27 November 1997 and were signed on its behalf by:

R C Wood 

J E Tudor 

**Directors**

## **Notes to the financial statements for the year ended 30 August 1997**

### **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 PLC defined benefit pension scheme. 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:

	1997 £	1996 £
United Kingdom	15,032,085	17,267,738
Rest of Europe	783,294	966,692
	<u>15,815,379</u>	<u>18,234,430</u>

## 3 Operating expenses - normal

	1997 £	1996 £
Distribution costs	685,609	692,939
Administration costs	878,227	932,789
	<u>1,563,836</u>	<u>1,625,728</u>

## 4 Operating expenses - exceptional

	1997 £	1996 £
Exceptional provision	1,545,910	-
	<u>1,545,910</u>	<u>-</u>

The company has provided in full 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:

	1997 £	1996 £
Aggregate emoluments including benefits	<u>158,208</u>	<u>182,721</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:

	1997 Number	1996 Number
<b>By activity</b>		
Sales, office and management	33	34
Manufacturing and distribution	46	47
	<u>79</u>	<u>81</u>
	1997 £	1996 £
<b>Staff costs (for the above persons):</b>		
Wages and salaries	1,376,804	1,401,258
Social security costs	120,080	128,534
Other pension costs (see note 20)	67,566	68,593
	<u>1,564,450</u>	<u>1,598,385</u>

## 7 Interest receivable

	1997 £	1996 £
Bank interest	36	5,867
On trade loans	5,806	3,353
On group loans	205,620	212,487
	<u>211,462</u>	<u>221,707</u>

## 8 Interest payable

	1997 £	1996 £
On bank overdraft	63,092	35,302
On finance leases	20,748	15,927
Other	-	39
	<u>83,840</u>	<u>51,268</u>

**9 Profit on ordinary activities before taxation**

	1997 £	1996 £
<b>Profit on ordinary activities before taxation is stated after crediting:</b>		
Amortisation of government grants	48,839	47,268
Rent receivable	6,018	6,003
Profit on disposal of tangible fixed assets	6,350	-
	<hr/>	<hr/>
<b>And after charging:</b>		
Depreciation charge for the year:		
Tangible owned fixed assets	449,566	391,130
Tangible fixed assets held under finance leases	77,312	87,840
Auditors' remuneration for audit	11,000	12,000
Hire of plant and equipment - operating leases	6,172	10,334
Hire of other assets - operating leases	22,392	31,659
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**10 Tax on profit on ordinary activities**

	1997 £	1996 £
United Kingdom corporation tax at 32.2% (1996: 33%):		
Current	205,000	285,000
Group relief payable	44,963	-
Deferred	(19,000)	52,500
(Over) / under provision in respect of prior years:		
Group relief	(20,000)	(30,000)
Current	20,000	24,893
Deferred	-	20,000
	<hr/>	<hr/>
	230,963	352,393
	<hr/>	<hr/>

**11 Dividends**

	1997 £	1996 £
Dividends on equity shares:		
Ordinary - final proposed of £2.65 per share (1996: £3.18)	549,000	660,000
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## 12 Tangible fixed assets

	Land and buildings	Plant & equipment	Motor vehicles	Assets in course of construction	Total
	£	£	£	£	£
<b>Cost or valuation</b>					
At 1 September 1996	1,732,557	8,007,864	417,704	141,854	10,299,979
Additions	-	190,982	109,301	356,363	656,646
Disposals	-	(9,935)	(25,121)	-	(35,056)
Reclassification	-	115,774	-	(115,774)	-
<b>At 30 August 1997</b>	<b>1,732,557</b>	<b>8,304,685</b>	<b>501,884</b>	<b>382,443</b>	<b>10,921,569</b>
<b>Depreciation</b>					
At 1 September 1996	31,811	3,908,164	255,452	-	4,195,427
Charge for the year	31,811	436,139	58,928	-	526,878
Eliminated in respect of disposals	-	(9,935)	(25,121)	-	(35,056)
<b>At 30 August 1997</b>	<b>63,622</b>	<b>4,334,368</b>	<b>289,259</b>	<b>-</b>	<b>4,687,249</b>
<b>Net book value at 30 August 1997</b>	<b>1,668,935</b>	<b>3,970,317</b>	<b>212,625</b>	<b>382,443</b>	<b>6,234,320</b>
Net book value at 31 August 1996	1,700,746	4,099,700	162,252	141,854	6,104,552
<b>Cost or valuation at 30 August 1997 is represented by:</b>					
Valuation in 1995	1,686,000	-	-	-	1,686,000
Cost	46,557	8,304,685	501,884	382,443	9,235,569
	<b>1,732,557</b>	<b>8,304,685</b>	<b>501,884</b>	<b>382,443</b>	<b>10,921,569</b>

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 £334,012 (1996: £202,196) 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:

	1997 £	1996 £
Cost	1,170,243	1,170,243
Aggregate depreciation based on cost	583,751	560,633
Land and buildings at net book value comprise:		
Freeholds	1,653,575	1,685,066
Long leaseholds	15,360	15,680
	<b>1,668,935</b>	<b>1,700,746</b>

**13 Stocks**

	1997 £	1996 £
Raw materials and consumables	567,493	746,416
Work in progress	43,311	90,921
Finished goods and goods for resale	110,358	97,161
	<u>721,162</u>	<u>934,498</u>

**14 Debtors: amounts falling due within one year**

	1997 £	1996 £
Trade debtors	1,466,756	1,544,417
Amounts owed by fellow subsidiary undertakings	4,378,998	5,932,498
Other debtors	115,015	136,231
Prepayments and accrued income	15,003	19,728
	<u>5,975,772</u>	<u>7,632,874</u>

**15 Debtors: amounts falling due after more than one year**

	1997 £	1996 £
Trade loans	<u>37,667</u>	<u>49,750</u>

**16 Creditors: amounts falling due within one year**

	1997 £	1996 £
Bank overdraft	82,398	-
Obligations under finance leases	134,578	117,292
Trade creditors	630,022	807,313
Amounts owed to parent company	4,679,513	4,597,871
Amounts owed to fellow subsidiary undertakings	227,988	287,803
Corporation tax	227,006	290,844
Other taxation and social security payable	107,235	99,776
Other creditors	145,151	163,410
Accruals and deferred income	51,286	105,873
Dividends payable	549,000	660,000
	<u>6,834,177</u>	<u>7,130,182</u>

**17 Creditors: amounts falling due after more one than year**

	1997 £	1996 £
Obligations under finance leases	<u>121,625</u>	<u>169,873</u>

The obligations under finance leases are repayable as follows:

In one year or less	134,578	117,292
Between one and two years	75,829	101,220
Between two and five years	45,796	68,653
	<u>256,203</u>	<u>287,165</u>

**18 Provision for liabilities and charges**

Deferred taxation provided in the financial statements is as follows:

	1997 £	Amount provided 1996 £
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	979,000	996,000
Other	(31,000)	(29,000)
	<u>948,000</u>	<u>967,000</u>

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 £234,000 (1996: £250,000). Full provision has been made for all other aspects of deferred taxation.

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

	£
At 1 September 1996	967,000
Profit and loss account	(19,000)
	<u>948,000</u>
At 30 August 1997	

## 19 Government grants

	£
At 1 September 1996	459,444
Amortisation in the year	(48,839)
	<hr/>
At 30 August 1997	410,605
	<hr/>

## 20 Pension obligations

The company participates in a group pension scheme operated by Carr's Milling Industries PLC. The pension scheme is 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 1995. Particulars of the scheme are contained in the financial statements of Carr's Milling Industries PLC.

The company also participates in a defined contribution pension scheme. The assets are held separately from those of the group and invested with an insurance company. The pension cost charge represents contributions payable by the company to the fund and amounted to £4,752 (1996: £5,019). Contributions totalling £205 (1996: £303) 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 £67,566 (1996: £68,593) is shown in note 6.

## 21 Called-up share capital

	1997 £	1996 £
<b>Authorised</b>		
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/>
<b>Allotted, called-up and fully paid</b>		
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 1 September 1996	1,211,298	4,459,775
Deficit for the year	-	(1,431,152)
At 30 August 1997	<u>1,211,298</u>	<u>3,028,623</u>

**23 Reconciliation of movements in shareholders' funds**

	1997 £	1996 £
Opening shareholders' funds	6,085,666	6,091,988
Deficit for the year	(1,431,152)	(6,322)
Closing shareholders' funds	<u>4,654,514</u>	<u>6,085,666</u>

**24 Capital commitments**

	1997 £	1996 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>793,425</u>	<u>3,000</u>

**25 Financial commitments**

At 30 August 1997, the company had annual commitments under non-cancellable operating leases as follows:

	1997 Land and Buildings £	1997 Other £	1996 Land and Buildings £	1996 Other £
Expiring within one year	-	4,458	-	9,247
Expiring within two and five years inclusive	-	3,902	-	966
Expiring in over five years	8,305	-	8,305	-
	<u>8,305</u>	<u>8,360</u>	<u>8,305</u>	<u>10,213</u>

## **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 30 August 1997 the aggregate amount outstanding under these group banking arrangements was £772,615 (1996: £1,712,382).

## **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 £3,493,181, which was included in turnover in the year ended 30 August 1997.

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

## **28 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 30 August 1997. Copies of the parent company's consolidated financial statements may be obtained from Carr's Milling Industries PLC, Old Croft, Stanwix, Carlisle, CA3 9BA.