

Carr's Flour Mills Limited
Annual report and accounts
for the 52 week period ended 30 August 2008

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Carr's Flour Mills Limited

Annual report and accounts

for the 52 week period ended 30 August 2008

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Carr's Flour Mills Limited

Directors' report for the 52 week period ended 30 August 2008

The directors present their report and the audited financial statements of the company for the 52 week period ended 30 August 2008.

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 £1,313,737 (2007: £700,113) for the period and sales of £85,563,180 (2007: £57,038,192).

Following an extremely difficult prior year, the increase in profit, which was achieved despite a poor start to the year before a price rise took effect, was encouraging. The flour milling business is operating in a competitive industry and the restoration of acceptable margins is a priority.

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 company'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 pages 14 and 15 of the ultimate parent company's annual report.

The entity's financial risk management objectives and policies are described on pages 14 and 15 of the ultimate parent company'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 the most significant KPI is profit as shown on the income statement on page 5. KPI's are also discussed further on page 12 of the ultimate parent company's annual report.

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 30 August 2008 of £1,070,000 (2007: £2,100,000).

The proposed dividend in respect of the period ended 30 August 2008 is £1,390,000 (2007: £1,070,000).

Post balance sheet events

The company had no significant post balance sheet events.

Carr's Flour Mills Limited

Directors

The directors who held office during the period are given below:

C N C Holmes (Chairman)
R C Wood
D E Lines
D Monroe

The company has maintained a directors' and officers' liability insurance policy throughout the period which is classed as a qualifying third party indemnity provision for the purposes of the Companies Act 1985. Neither the company's indemnity nor insurance provides cover in the event that a director is proved to have acted fraudulently or dishonestly. No claims have been made either under the indemnity or the insurance policy.

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 27 days (2007: 36 days) of average purchases for goods and services made during the period.

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 regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view 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 that the financial statements comply with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Carr's Flour Mills Limited

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. This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

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

19 December 2008

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 30 August 2008 which comprise the income statement, the statement of changes in shareholders' equity, 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 financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 30 August 2008 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

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

19 December 2008

Carr's Flour Mills Limited

Income statement for the 52 week period ended 30 August 2008

	Note	52 week period 2008 £	52 week period 2007 £
Continuing operations			
Revenue	1	85,563,180	57,038,192
Cost of sales		(75,630,239)	(47,544,324)
Gross profit		9,932,941	9,493,868
Distribution costs		(5,544,412)	(5,454,520)
Administrative expenses		(2,689,244)	(3,119,428)
Operating profit	2	1,699,285	919,920
Analysed as:			
Operating profit before amortisation		1,776,206	1,237,040
Amortisation	3	(76,921)	(317,120)
Operating profit		1,699,285	919,920
Interest income	5	41,975	91,935
Interest expense	5	(427,523)	(311,742)
Profit before taxation		1,313,737	700,113
Taxation	6	(719,791)	(162,189)
Profit for the period attributable to equity holders of the company		593,946	537,924

Carr's Flour Mills Limited

Statement of changes in shareholders' equity for the 52 week period ended 30 August 2008

	Share capital	Capital redemption reserve	Equity compensation reserve	Other reserves	Retained earnings	Total
	£	£	£	£	£	£
At 3 September 2006	207,307	207,286	6,406	743,730	4,332,154	5,496,883
Profit for the financial period	-	-	-	-	537,924	537,924
Equity-settled share- based payment transactions	-	-	16,821	-	-	16,821
Dividends paid	-	-	-	-	(2,100,000)	(2,100,000)
Transfer from other reserve	-	-	-	(10,138)	10,138	-
At 1 September 2007	207,307	207,286	23,227	733,592	2,780,216	3,951,628
At 2 September 2007	207,307	207,286	23,227	733,592	2,780,216	3,951,628
Profit for the financial period	-	-	-	-	593,946	593,946
Equity-settled share- based payment transactions	-	-	21,159	-	-	21,159
Dividends paid	-	-	-	-	(1,070,000)	(1,070,000)
Transfer from other reserve	-	-	-	(10,138)	10,138	-
At 30 August 2008	207,307	207,286	44,386	723,454	2,314,300	3,496,733

Carr's Flour Mills Limited

Balance sheet as at 30 August 2008

	Note	2008 £	2007 £
Non-current assets			
Intangible assets	8	234,195	311,116
Property, plant and equipment	9	10,903,941	11,248,866
Investment property	10	156,347	160,327
Investment in subsidiaries	11	2	2
Other investments	11	1,000	1,000
		11,295,485	11,721,311
Current assets			
Inventories	12	3,892,836	2,890,762
Trade and other receivables	13	14,705,776	9,845,159
Cash and cash equivalents	14	520,447	1,207,856
		19,119,059	13,943,777
Total assets		30,414,544	25,665,088
Current liabilities			
Trade and other payables	15	(7,004,699)	(6,002,375)
<i>Financial liabilities</i>			
Borrowings	16	(16,820,546)	(13,270,892)
Current tax liabilities	17	(556,587)	(171,069)
		(24,381,832)	(19,444,336)

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Balance sheet as at 30 August 2008 (continued)

	Note	2008 £	2007 £
Non-current liabilities			
<i>Financial liabilities</i>			
Borrowings	16	(342,883)	(351,134)
Other non-current liabilities	18	(124,962)	(145,293)
Deferred tax liabilities	22	(2,068,134)	(1,772,697)
		(2,535,979)	(2,269,124)
Total liabilities		(26,917,811)	(21,713,460)
Net assets		3,496,733	3,951,628
Shareholders' equity			
Ordinary share capital	23	207,307	207,307
Capital redemption reserve		207,286	207,286
Equity compensation reserve		44,386	23,227
Revaluation reserve		723,454	733,592
Retained earnings		2,314,300	2,780,216
Total shareholders' equity		3,496,733	3,951,628

The financial statements on pages 5 to 44 were approved by the Board of Directors on 19 December 2008 and were signed on its behalf by:



D Monroe
Director



R C Wood
Director

Carr's Flour Mills Limited

Cash flow statement for the period ended 30 August 2008

	Note	52 week period 2008 £	52 week period 2007 £
Cash flows from operating activities			
Cash (used in)/generated from operations	24	(1,543,556)	2,956,109
Interest received		41,975	91,935
Interest paid		(427,523)	(311,742)
Tax paid		(247,371)	(704,400)
Net cash (used in)/generated from operating activities		(2,176,475)	2,031,902
Cash flow from investing activities			
Purchase of property, plant and equipment		(765,216)	(708,459)
Proceeds from sale of property, plant and equipment		46,753	14,217
Net cash used in investing activities		(718,463)	(694,242)
Cash flows from financing activities			
Finance lease capital payments		(302,560)	(424,511)
Dividends paid to shareholders		(1,070,000)	(2,100,000)
Net cash used in financing activities		(1,372,560)	(2,524,511)
Effects of exchange rate changes		212	(1)
Net decrease in cash and cash equivalents		(4,267,286)	(1,186,852)
Cash and cash equivalents at the start of the period		1,207,856	2,394,708
Cash and cash equivalents at the end of the period	14	(3,059,430)	1,207,856

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 ("IFRSs") 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 IFRSs have been adopted before their effective date.

The company is a private limited liability company incorporated and domiciled in England and Wales. The address of its registered office is Old Croft, Stanwix, Carlisle, CA3 9BA.

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 company is a subsidiary of Carr's Milling Industries PLC and is included in the consolidated financial statements of Carr's Milling Industries PLC which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 228 of the Companies Act 1985.

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.

Dividends

Dividends payable are recognised as a liability in the financial statements in the period in which the dividends are paid or approved by the company's directors, whichever is earlier.

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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.

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, 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 expected to be generated over the life of the relationship. The life of the relationships range between 1 and 5 years.

Brands are being amortised in line with the income streams expected to be generated 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.

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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.

Assets not fully constructed at the balance sheet date are classified as assets in the course of construction. When construction is complete these assets are reclassified to the appropriate heading within property, plant and equipment. Depreciation commences when the asset is ready for use.

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
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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.

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 deemed for an individual asset. In 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.

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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.

Cash and cash equivalents

Cash and cash equivalents for the purposes of the cash flow statement comprise cash at bank and in hand 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 shorter of the useful life of the asset and the term of the lease. 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 lines 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.

In the 2007 budget a reduction in the corporation tax rate from 30% to 28% was announced taking effect from 1 April 2008. This reduction is reflected in the corporation tax charge in the income statement, unless the tax relates to items recognised directly in shareholders' equity, in which case the tax is recognised directly in shareholders' equity through the statement of recognised income and expense.

During the period the proposal that Parliament abolish Industrial Buildings Allowances was substantively enacted. The effect of this has been to increase the deferred tax charge and liability.

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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.

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.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Bank borrowings

Interest-bearing loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an effective interest method.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Share-based payments

The ultimate parent company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the company's estimate of shares that will eventually vest.

Fair value is measured by use of a valuation model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

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New standards and interpretations

The following new standards and interpretations, which are in issue at the balance sheet date but not yet effective, have not been applied in these financial statements:

	Effective for period commencing on or after
IAS 1 Revised – Presentation of financial statements	1 January 2009
IFRS 8 Operating Segments	1 January 2009
IFRIC 12 Service Concession Arrangements	1 January 2008
IFRIC 13 Customer Loyalty Programmes	1 July 2008
IFRIC 14 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'	1 January 2008
IAS 23 Revised – Borrowing costs	1 January 2009
Amendments to IAS 32 Financial instruments presentation and IAS 1 presentation of financial statements	
Puttable financial instruments and obligations arising on liquidation	1 January 2009
IAS 27 (Revised) Consolidated and separate financial statements	1 July 2009
Amendments to IAS 39 – Eligible hedged items	1 January 2009
Amendment to IFRS 1 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements'	1 January 2009
IFRS 2 Share based payment amendment 'Vesting conditions and cancellations'	1 January 2009
IFRS 3 (Revised) Business combinations	1 July 2009

It is considered that the above standards and interpretations will not have a significant effect on the results or net assets of the company. IAS 1 Revised and IFRS 8 will have no impact on the results or net assets of the company but will increase the level of disclosure to be made in the financial statements. In the current economic climate it is considered that IFRIC 14 will have no effect on the results or net assets of the company.

From 2 September 2007, the following standard, amendments and interpretations became effective and were adopted by the company:

IFRIC 10 Interim financial reporting and impairment
IFRIC 11 Group and treasury share transactions
IFRS 7 Financial Instruments: Disclosures
IAS 1 Amendment – Presentation of financial statements

The adoption of these amendments and interpretations has not had a significant impact on the company's profit for the year or equity.

IFRS 7 has impacted the disclosures in the notes to the financial statements.

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Significant judgements, key assumptions and estimates

Application of certain Company accounting policies requires management to make judgements, assumptions and estimates concerning the future as detailed below.

Valuation of share-based payments

The fair value of share-based payments is determined using valuation models and is charged to the income statement over the vesting period. The valuation models require certain assumptions to be made as shown in the tables in Note 21. Estimations of vesting and satisfaction of performance criteria are required to determine fair value.

Provision for impairment of trade receivables

The financial statements include a provision for impairment of trade receivables (Note 13) that is based on management's estimation of recoverability. There is a risk that the provision will not match the trade receivables that ultimately prove to be irrecoverable.

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Notes to the financial statements for the 52 week period ended 30 August 2008

1 Segmental reporting

At 30 August 2008, 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:

	2008	2007
	£	£
Staff costs (Note 4)	6,857,880	6,994,163
Foreign exchange (profit)/loss	(212)	1
Depreciation of property, plant and equipment:		
- Owned assets	1,045,193	1,296,260
- Under finance leases	286,310	310,524
(Profit)/loss on disposal of property, plant and equipment	(4,029)	2,518
Depreciation of investment property:		
- Owned assets	3,980	3,980
Amortisation of intangibles (included in administrative expenses)	76,921	317,120
Loss on write off of investments	-	3,261
Amortisation and release of government grants	(20,331)	(20,331)
Other operating lease rentals payable		
- Plant and machinery	471,797	502,068

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

	2008	2007
	£	£
Rental income	12,073	9,223
Operating expenses	(6,411)	(9,096)
	5,662	127

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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:

	2008	2007
	£	£
Statutory audit	44,461	38,125

Taxation and general advice costs have been borne by the ultimate parent company, in the current and preceding period.

3 Amortisation

During the period the company incurred the following expenses which resulted in a reduction in profit of £76,921 (2007: £317,120).

	2008	2007
	£	£
Amortisation of intangible assets	(76,921)	(317,120)

4 Employees and directors

Staff costs for the company during the period

	2008	2007
	£	£
Wages and salaries	5,634,606	5,843,347
Social security costs	579,999	600,747
Fair value charge on share based payments	21,159	16,821
Pension costs	622,116	533,248
	6,857,880	6,994,163

Carr's Flour Mills Limited

4 Employees and directors (continued)

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

	2008 Number	2007 Number
Sales, office and management	75	78
Manufacturing and distribution	123	127
	198	205

Key management compensation

	2008 £	2007 £
Salaries and short term benefits	150,672	172,819
Fair value charge on share based payments	9,404	5,862
Pension costs	17,171	16,595
	177,247	195,276

Retirement benefits are accruing to one (2007: one) director under a defined benefit pension scheme.

Key management are considered to be the directors of the company.

Highest paid director	2008 £	2007 £
Salaries and short term benefits	143,739	127,345
Defined benefit scheme:		
Accrued benefit at period end	22,973	19,370

Carr's Flour Mills Limited

5 Interest income and interest expense

	2008 £	2007 £
Interest income		
Bank interest receivable	21,141	84,717
Interest receivable on amounts due from group undertakings (Note 27)	4,362	4,301
Other interest receivable	16,472	2,917
Total interest income	41,975	91,935
Interest expense		
Bank interest payable	(137,229)	-
Interest payable on amounts due to group undertakings (Note 27)	(244,344)	(241,166)
Interest payable on finance leases	(45,950)	(53,853)
Other interest payable	-	16,723
Total interest expense	(427,523)	(311,742)

6 Taxation

(a) Analysis of charge in the period

	2008 £	2007 £
Continuing operations		
Current tax	431,335	379,604
Adjustments in respect of prior periods	(6,981)	(15,001)
	424,354	364,603
Deferred tax	294,313	(201,761)
Adjustments in respect of prior periods	1,124	(653)
	295,437	(202,414)
Taxation	719,791	162,189

Carr's Flour Mills Limited

6 Taxation (continued)

(b) Factors affecting tax charge for the period

The tax assessed for the period is higher (2007: lower) than the standard rate of corporation tax in the UK of 29.17% (2007: 30%). The differences are explained below:

	2008 £	2007 £
Profit on ordinary activities before taxation	1,313,737	700,113
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 29.17% (2007: 30%)	383,217	210,034
<i>Effects of:</i>		
Adjustments to tax in respect of prior periods	(5,857)	(15,654)
Expenses not deductible for tax purposes	57,790	94,477
Effect of changes in tax rates	(12,298)	(126,668)
Effect of withdrawal of Industrial Buildings Allowances	296,939	-
Tax charge for the period	719,791	162,189

In the 2007 Budget a reduction in the corporation tax rate from 30% to 28% was announced taking effect from 1 April 2008.

During the period the proposal that Parliament abolish Industrial Buildings Allowances was substantively enacted. The effect of this has been to increase the deferred tax charge and liability by £296,939.

7 Dividends paid

	2008 £	2007 £
Ordinary shares £5.161 (2007: £10.130) per £1 share	1,070,000	2,100,000

The proposed dividend in respect of the period ended 30 August 2008 is £1,390,000 being £6.705 per £1 share. The financial statements do not reflect this dividend payable.

Carr's Flour Mills Limited

8 Intangible fixed assets

	Customer relationships £	Brands £	Total £
Cost			
At 2 September 2007 and 30 August 2008	1,663,210	344,986	2,008,196
Aggregate amortisation			
At 2 September 2007	1,615,133	81,947	1,697,080
Charge for the period	48,077	28,844	76,921
At 30 August 2008	1,663,210	110,791	1,774,001
Net book amount			
At 30 August 2008	-	234,195	234,195

	Customer relationships £	Brands £	Total £
Cost			
At 3 September 2006 and 1 September 2007	1,663,210	344,986	2,008,196
Aggregate amortisation			
At 3 September 2006	1,329,597	50,363	1,379,960
Charge for the period	285,536	31,584	317,120
At 1 September 2007	1,615,133	81,947	1,697,080
Net book amount			
At 1 September 2007	48,077	263,039	311,116

Customer relationships are being amortised in line with the profit streams expected to be generated over the life of the relationship. The life of the relationships range between 1 and 5 years.

Brands are being amortised in line with income streams expected to be generated 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 2 September 2007	5,596,581	22,455,643	1,107,123	29,159,347
Additions at cost	-	841,320	187,982	1,029,302
Disposals	-	(110,742)	(78,640)	(189,382)
At 30 August 2008	5,596,581	23,186,221	1,216,465	29,999,267
Accumulated depreciation				
At 2 September 2007	1,310,354	16,034,238	565,889	17,910,481
Charge for the period	157,597	1,019,006	154,900	1,331,503
Disposals	-	(79,692)	(66,966)	(146,658)
At 30 August 2008	1,467,951	16,973,552	653,823	19,095,326
Net book amount				
At 30 August 2008	4,128,630	6,212,669	562,642	10,903,941

Included in the above amounts for plant and machinery and motor vehicles are assets held under finance leases with a book value of £1,142,254 (2007: £1,155,620).

Depreciation is recognised within the income statement as shown below:

	2008 £	2007 £
Cost of sales	1,198,668	1,460,931
Distribution costs	98,525	105,222
Administrative expenses	34,310	40,631
	1,331,503	1,606,784

Carr's Flour Mills Limited

9 Property, plant and equipment (continued)

	Land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 3 September 2006	5,496,259	22,116,897	1,026,373	28,639,529
Additions at cost	100,322	698,986	107,287	906,595
Disposals	-	(360,240)	(26,537)	(386,777)
At 1 September 2007	5,596,581	22,455,643	1,107,123	29,159,347
Accumulated depreciation				
At 3 September 2006	1,153,628	15,090,273	429,838	16,673,739
Charge for the period	156,726	1,304,205	145,853	1,606,784
Disposals	-	(360,240)	(9,802)	(370,042)
At 1 September 2007	1,310,354	16,034,238	565,889	17,910,481
Net book amount				
At 1 September 2007	4,286,227	6,421,405	541,234	11,248,866

Carr's Flour Mills Limited

10 Investment property

	Land and buildings £
Cost	
At 2 September 2007 and 30 August 2008	199,000
Accumulated depreciation	
At 2 September 2007	38,673
Charge for the period	3,980
At 30 August 2008	42,653
Net book amount	
At 30 August 2008	156,347

	Land and buildings £
Cost	
At 3 September 2006 and 1 September 2007	199,000
Accumulated depreciation	
At 3 September 2006	34,693
Charge for the period	3,980
At 1 September 2007	38,673
Net book amount	
At 1 September 2007	160,327

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

	2008 £	2007 £
Cost and net book value		
At 3 September 2006, 2 September 2007 and 30 August 2008	2	2

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

	Country of incorporation and operation	% holding	Nature of business
George Shackleton & Sons Limited	Republic of Ireland	100	Dormant

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 28 for further details.

Other investments

	2008 £	2007 £
Cost and net book value		
Brought forward	1,000	4,261
Amounts written off	-	(3,261)
Carried forward	1,000	1,000

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.

The directors believe the carrying value of the investments is supported by their underlying net assets.

Carr's Flour Mills Limited

12 Inventories

	2008	2007
	£	£
Raw materials and consumables	3,052,970	2,299,193
Finished goods	839,866	591,569
	3,892,836	2,890,762

Inventories is stated after a provision for impairment of £152,000 (2007: £152,000).

£Nil (2007: £33,440) has been recognised as an expense within the income statement in respect of inventory write-downs during the current period.

13 Trade and other receivables

	2008	2007
	£	£
Trade receivables	14,547,440	9,524,283
Less: provision for impairment of receivables	(233,065)	(222,234)
Trade receivables – net	14,314,375	9,302,049
Amounts owed by group undertakings (Note 27)	101,751	102,772
Loans receivable	-	8,000
Other receivables	200,136	204,128
Prepayments	89,514	228,210
	14,705,776	9,845,159

The movement in the provision for impaired trade receivables consists of increases for additional provisions offset by receivables written off and unused provision released back to the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

An amount of £105,815 (2007: £110,147) is recognised within administrative expenses in the income statement in respect of the provision for impairment of trade receivables.

There is no impairment of other receivables to be recognised in the current or preceding period.

Carr's Flour Mills Limited

13 Trade and other receivables (continued)

The amounts owed by group undertakings are unsecured, interest free and have no fixed repayment date.

	2008		2007	
	Gross £'000	Impairment £'000	Gross £'000	Impairment £'000
The ageing of trade receivables is as follows:				
Not past due	11,224	-	6,744	-
Past due 0 – 30 days	1,942	-	1,615	-
Past due 31 – 60 days	681	-	479	-
Past due 61 – 90 days	700	(233)	686	(222)
	14,547	(233)	9,524	(222)

No major renegotiation of terms has taken place during the current period or preceding period.

The credit quality of customers is assessed by the company taking into account their financial positions, past experiences and other relevant factors. Individual customer credit limits are imposed based on these factors.

It is policy that overdue accounts are reviewed monthly to mitigate exposure to credit risk and are provided for where appropriate.

The maximum exposure to credit risk at the period end is the carrying value, net of provision for impairment, of each receivable.

14 Cash and cash equivalents

	2008 £	2007 £
Cash at bank and in hand	520,447	1,207,856
Overdrafts	(3,579,877)	-
	(3,059,430)	1,207,856

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15 Trade and other payables

	2008	2007
	£	£
Trade payables	5,460,389	4,675,369
Amounts owed to group undertakings (Note 27)	85,081	385,480
Amounts owed to associated undertakings (Note 27)	1,308	82
Other tax and social security payable	223,483	208,467
Accruals and deferred income	1,234,438	732,977
	7,004,699	6,002,375

Amounts owed to group undertakings are unsecured, interest free and have no fixed repayment date.

16 Borrowings

	2008	2007
	£	£
Current		
Bank overdraft	3,579,877	-
Loans from group undertakings (Note 27)	13,002,738	13,002,738
Finance lease obligations	237,931	268,154
	16,820,546	13,270,892
Non-current		
Finance lease obligations	342,883	351,134
Fixed rate	580,814	619,288
Floating rate	7,042,720	3,462,843
Non-interest bearing	9,539,895	9,539,895
	17,163,429	13,622,026

Carr's Flour Mills Limited

16 Borrowings (continued)

Borrowings are repayable as follows:

	2008 £	2007 £
On demand or within one year	16,820,546	13,270,892
In the second year	182,493	200,460
In the third to fifth years inclusive	160,390	150,674
	17,163,429	13,622,026

Loans from group undertakings are unsecured. Finance lease obligations are secured on the asset to which they relate.

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

	2008 %	2007 %
Bank overdraft	6.00	-
Loans	6.75	7.50
Finance lease	7.00	8.70

	Future minimum lease payments		Repayment profile	
	2008 £	2007 £	2008 £	2007 £
Finance lease obligations				
Amounts payable:				
Within one year	277,666	306,712	237,931	268,154
In the second year	210,402	186,934	182,493	200,460
In the third to fifth years inclusive	185,889	214,690	160,390	150,674
	673,957	708,336	580,814	619,288
Less: future finance charges	(93,143)	(89,048)		
Present value of lease obligations	580,814	619,288		

17 Current tax liabilities

	2008 £	2007 £
Corporation tax	556,587	171,069

Carr's Flour Mills Limited

18 Deferred income

	2008	2007
	£	£
Grants		
Brought forward	145,293	165,624
Amortisation for period	(20,331)	(20,331)
Carried forward	124,962	145,293

19 Financial instruments

The main financial risks arising from the company's activities are credit risk, price risk, foreign currency risk, interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged throughout the period.

Credit risk

The company has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents, as well as credit exposures to customers. The credit quality of trade and other receivables is detailed in Note 13.

The majority of company revenues are made up on credit terms. It is company policy that overdue accounts are reviewed monthly at divisional management meetings to mitigate exposure to credit risk and are provided for where appropriate. The current financial climate requires the company's credit control function to be exceptionally vigilant.

Price risk

The company is not exposed to equity securities price risk. Due to the nature of its business the company is exposed to commodity price risk such as the fluctuation in wheat prices. This risk is however managed primarily through the use of contracts to secure supply at agreed prices.

Market risk

Market risk is the risk that changes in foreign exchange rates (currency risk) and interest rates (interest rate risk) will affect income or the value of financial assets and liabilities.

Currency risk

The company publishes its financial statements but conducts business in some foreign currencies.

The company exposed to foreign currency risk on its purchases of raw materials. The policy of the company is to hedge purchases as soon as commitment has been given to the underlying transaction. However the company does not apply hedge accounting.

Carr's Flour Mills Limited

19 Financial instruments (continued)

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.

Fair values of financial assets and financial liabilities

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.

	2008 Book value	2008 Fair value	2007 Book value	2007 Fair value
	£	£	£	£
Fair value of non-current financial assets and financial liabilities				
Non-current borrowings (Note 16)	(342,883)	(342,883)	(351,134)	(351,134)
Other non-current liabilities (Note 18)	(124,962)	(124,962)	(145,293)	(145,293)
Fair value of current financial assets and financial liabilities				
Trade and other receivables (Note 13)	14,705,776	14,705,776	9,845,159	9,845,159
Cash at bank and in hand (Note 14)	520,447	520,447	1,207,856	1,207,856
Trade and other payables (Note 15)	(7,004,699)	(7,004,699)	(6,002,375)	(6,002,375)
Current borrowings (Note 16)	(16,820,546)	(16,820,546)	(13,270,892)	(13,270,892)

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.

Liquidity risk

Short term flexibility is achieved by overdraft facilities. In addition it is the company's policy to maintain committed undrawn facilities in order to provide flexibility in the management the company's liquidity.

All the company's financial liabilities, with the exception of finance lease liabilities and deferred income, will be settled on a net basis within one year. For the maturity profile of finance lease liabilities see Note 16. Deferred income (Note 18) is being amortised on a straight line basis.

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.

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to optimise the cost of capital.

Capital is monitored at a group level on the basis of the gearing ratio. The ratio is discussed further on page 60 of the ultimate parent company's annual report.

Carr's Flour Mills Limited

20 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 £295,441 (2007: £215,744). The pension expense for the defined contribution section of the scheme for the period was £71,383 (2007: £53,342). Outstanding contributions for the scheme at the period end were £8,146 (2007: £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 £16.6 million (2007: £9.8 million) on the group scheme at 1 September 2008. This was calculated in accordance with the pension scheme requirements of IAS19 and reflected pension scheme assets of £31.4 million (2007: £33.9 million) and £48.0 million (2007: £43.7 million) of pension scheme liabilities.

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.

The group expects to contribute approximately £2,600,000 to the defined benefit scheme in the next financial period.

Major assumptions	2008 %	2007 %
Inflation	3.9	3.2
Salary increases	4.9	4.2
Rate of discount	6.2	5.9
Pension in payment increases:		
Pre 1 September 2001	4.2	3.5
Post 1 September 2001	3.9	3.2
Revaluation rate for deferred pensioners for pensions revaluing at 5.0% per annum or RPI if less	3.9	3.2

Carr's Flour Mills Limited

20 Retirement benefits (continued)

The mortality tables used in the valuation have been updated to PA92 (Year of Birth) and the medium cohort improvement factors. The mortality assumptions adopted imply the following life expectancies at age 65:

	At 30 August 2008	At 1 September 2007
Males currently age 40	23.2 years	20.2 years
Females currently age 40	26.0 years	23.1 years
Males currently age 65	22.0 years	19.4 years
Females currently age 65	24.8 years	22.4 years

Movements in the present value of defined benefit obligations	2008 £'000	2007 £'000
At the beginning of the period	43,721	45,794
Current service cost	678	788
Interest cost	2,490	2,334
Changes in assumptions underlying the defined benefit obligation	7,230	(4,364)
Benefits paid	(3,339)	(831)
Reduction in obligation following payment in lieu of pension to a director	(1,439)	-
Effects of settlements	(1,325)	-
At the end of the period	48,016	43,721

Movements in the fair value of scheme assets	2008 £'000	2007 £'000
At the beginning of the period	33,914	29,998
Expected return on scheme assets	2,108	1,955
Actual return less expected return on scheme assets	(3,742)	206
Contributions by employer	2,517	2,586
Benefits paid	(3,339)	(831)
At the end of the period	31,458	33,914

Carr's Flour Mills Limited

20 Retirement benefits (continued)

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

	Expected return		Fair value of assets	
	2008	2007	2008	2007
	%	%	£'000	£'000
Equity instruments	7.3	7.5	15,715	19,117
Debt instruments	5.3	5.75	13,575	12,462
Property	6.8	7.0	1,678	2,005
Other assets	5.75	5.75	490	330
	6.4	6.8	31,458	33,914
Actual return on scheme assets			(1,634)	2,161

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 £255,292 (2007: £264,162). Outstanding contributions due for the scheme at the period end were £21,804 (2007: £Nil).

21 Share-based payments

In 2007 the company participated in a deferred bonus scheme. As part of the deferred bonus scheme the eligible individuals invest a proportion of their bonus into shares. Matching shares may be awarded after a period of three years if certain performance criteria are met. Individuals in the scheme may receive a maximum of one matching share for every share they bought subject to the Carr's Milling Industries PLC Group's adjusted earnings per share over the period of three years ending 31 August 2009 equalling or exceeding the growth in the RPI over the same period by an average of 4% per annum. The award multiple will be reduced to 0.5 should the growth in adjusted earnings per share over the three years equal the growth in RPI by an average of 2% per annum. Should the adjusted earnings per share fall between the two threshold levels, referred to above, the award multiple will be measured on a straight-line basis between 0.5 and 1.

In 2006 the company participated in two new group schemes, granted by the ultimate parent company; an Inland Revenue approved discretionary employee share option scheme and a share save scheme.

The approved share options were granted to certain senior employees and directors. Options are exercisable between three and ten years from the date of grant, subject to the movement of the Carr's Milling Industries PLC Group's adjusted earnings per share over the three years to 31 August 2008 exceeding that of the RPI by an average of 2% per annum.

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21 Share-based payments (continued)

All employees, subject to eligibility criteria, may participate in the share save scheme. Under this scheme employees are offered savings contracts for both 3 year and 5 year vesting period plans. The exercise period is 6 months from the vesting date.

The fair value per option granted and the assumptions used in the calculation of fair values are as follows:

	Deferred Bonus Scheme 2006	Approved Executive Share Option Scheme 2006	Share Save Scheme 2006 (3-year plan)	Share Save Scheme 2006 (5-year plan)
Grant date	7/2/07	24/2/06	1/6/06	1/6/06
Share price at grant date (weighted average)	£6.43	£4.76	£4.64	£4.64
Exercise price (weighted average)	£0.25	£4.76	£4.79	£4.79
Number of employees	1	8	19	19
Shares under option	3,369	33,000	9,596	20,560
Vesting period (years)	2.67	3	3	5
Model used for valuation	Black Scholes	Binomial	Black Scholes	Black Scholes
Expected volatility	21.00%	22.44%	20.18%	21.37%
Option life (years)	2.75	10	3.5	5.5
Expected life (years)	2.67	6.5	3.25	5.25
Risk-free rate	5.451%	4.224%	4.683%	4.623%
Expected dividends expressed as a dividend yield	3.20%	3.36%	3.56%	3.56%
Expectations of vesting	100%	100%	75%	75%
Expectations of meeting performance criteria	100%	100%	N/A	N/A
Fair value per option	£5.69	£0.99	£0.60	£0.78

The expected volatility is based on historical volatility calculated over the weighted average remaining life of the award being valued. The expected life is the average period to exercise. The risk-free rate of return is the implied yield of zero-coupon UK Government bonds with a remaining term equal to the expected term of the award being valued.

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21 Share-based payments (continued)

Deferred Bonus Scheme 2006

The number and weighted average exercise prices are as follows:

	2008	2008	2007	2007
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	£		£	
Outstanding at the beginning of the period	0.25	3,369	-	-
Granted during the period	-	-	0.25	3,369
Exercised during the period	-	-	-	-
Lapsed during the period	-	-	-	-
Outstanding at the end of the period	0.25	3,369	0.25	3,369
Exercisable at the end of the period	-	-	-	-

At the period end the weighted average remaining contractual life of the options is 1.167 years (2007: 2.167 years) with a weighted average remaining expected life of 1.083 years (2007: 2.083 years).

Approved Executive Share Option Scheme 2006

The number and weighted average exercise prices are as follows:

	2008	2008	2007	2007
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	£		£	
Outstanding at the beginning of the period	4.76	30,000	4.76	33,000
Granted during the period	-	-	-	-
Exercised during the period	-	-	-	-
Lapsed during the period	-	-	4.76	(3,000)
Outstanding at the end of the period	4.76	30,000	4.76	30,000
Exercisable at the end of the period	-	-	-	-

At the period end the weighted average remaining contractual life of the options is 7.5 years (2007: 8.5 years) with a weighted average remaining expected life of 4 years (2007: 5 years).

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21 Share-based payments (continued)

Share Save Scheme 2006 – 3 year plan

The number and weighted average exercise prices are as follows:

	2008	2008	2007	2007
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	£		£	
Outstanding at the beginning of the period	4.79	8,894	4.79	9,596
Granted during the period	-	-	-	-
Exercised during the period	-	-	-	-
Lapsed during the period	4.79	(780)	4.79	(702)
Outstanding at the end of the period	4.79	8,114	4.79	8,894
Exercisable at the end of the period	-	-	-	-

At the period end the weighted average remaining contractual life of the options is 1.25 years (2007: 2.25 years) with a weighted average remaining expected life of 1 year (2007: 2 years).

Share Save Scheme 2006 – 5 year plan

The number and weighted average exercise prices are as follows:

	2008	2008	2007	2007
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	£		£	
Outstanding at the beginning of the period	4.79	13,838	4.79	20,560
Granted during the period	-	-	-	-
Exercised during the period	-	-	-	-
Lapsed during the period	-	-	4.79	(6,722)
Outstanding at the end of the period	4.79	13,838	4.79	13,838
Exercisable at the end of the period	-	-	-	-

At the period end the weighted average remaining contractual life of the options is 3.25 years (2007: 4.25 years) with a weighted average remaining expected life of 3 years (2007: 4 years).

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21 Share-based payments (continued)

The total expense recognised for the period arising from share based payments are as follows:

	2008 £	2007 £
Approved Executive Share Option Scheme 2006	9,900	9,405
Share Save Scheme 2006 – 3 year plan	1,652	1,531
Share Save Scheme 2006 – 5 year plan	2,418	1,692
Deferred Bonus Scheme 2006	7,189	4,193
	21,159	16,821

22 Deferred taxation

The movement on the deferred tax account is shown below:

	2008 £	2007 £
Brought forward	1,772,697	1,975,111
Income statement charge/(credit) (Note 6)	295,437	(202,414)
Carried forward	2,068,134	1,772,697

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.

During the period the proposal that Parliament abolish Industrial Buildings Allowances was substantively enacted. The impact of this change on the balance sheet is an increase in the deferred tax liability of £296,939.

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22 Deferred taxation (continued)

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 2 September 2007	1,503,363	269,334	1,772,697
Income statement charge (Note 6)	295,437	-	295,437
At 30 August 2008	1,798,800	269,334	2,068,134

23 Called up share capital

	2008	2007
	£	£
Authorised		
250,000 (2007: 250,000) ordinary shares of £1 each	250,000	250,000
250,000 (2007: 250,000) 3.5% redeemable preference shares of £1 each	250,000	250,000
Allotted and fully paid		
207,307 (2007: 207,307) ordinary shares of £1 each	207,307	207,307

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24 Cash flow (used in)/generated from operating activities

Reconciliation of net profit for the period to net cash (used in)/generated from operating activities:

	2008	2007
	£	£
Continuing operations		
Net profit	593,946	537,924
<i>Adjustments for:</i>		
Tax	719,791	162,189
Interest income	(41,975)	(91,935)
Interest expense	427,523	311,742
Depreciation of property, plant and equipment	1,331,503	1,606,784
Depreciation of investment property	3,980	3,980
Amortisation and release of government grants	(20,331)	(20,331)
Amortisation of intangible assets	76,921	317,120
Exchange (gains)/losses on foreign bank balances and borrowings	(212)	1
(Profit)/loss on disposal of property, plant and equipment	(4,029)	2,518
Loss on disposal of investments	-	3,261
Net fair value loss on share based payments	21,159	16,821
Decrease in non-current receivables	-	7,998
<i>Changes in working capital:</i>		
Increase in inventories	(1,002,074)	(565,781)
Increase in trade and other receivables	(4,860,617)	(107,386)
Increase in trade and other payables	1,210,859	771,204
Cash (used in)/generated from operations	(1,543,556)	2,956,109

Non-cash transactions

The principal non-cash transactions are the acquisition of assets by means of finance leases of £264,086 (2007: £198,136).

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25 Commitments under operating leases

	2008 Plant and machinery £	2007 Plant and machinery £
Commitments under non-cancellable operating leases are as follows:		
Within one year	282,084	358,863
Later than one year and less than five years	485,866	688,246
After more than five years	15,529	24,680
	783,479	1,071,789

26 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 30 August 2008 the aggregate amount outstanding under these group banking arrangements was £5,562,247 (2007: £8,452,806).

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27 Related party transactions

The company has the following transactions with related entities:

In respect of the period ended 30 August 2008

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	-	-	(288,927)	(244,344)	4,362	(1,070,000)	67,280	(7,568,918)
Carrs Billington Agriculture (Sales) Limited	2,953	(294,598)	-	-	-	-	301	(83,975)
Carrs Agriculture Limited	-	-	-	-	-	-	1,102	(32)
Carrs Engineering Limited	-	(6,671)	-	-	-	-	-	(244)
Inter company balances with dormant group companies	-	-	-	-	-	-	33,068	(5,434,650)
	2,953	(301,269)	(288,927)	(244,344)	4,362	(1,070,000)	101,751	(13,087,819)

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	-	-	-	-	-	-	-	(1,308)

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

Carr's Flour Mills Limited

27 Related party transactions (continued)

In respect of the period ended 1 September 2007

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	-	-	(566,560)	(241,166)	4,301	(2,100,000)	67,783	(7,698,088)
Carrs Billington Agriculture (Sales) Limited	3,681	(285,741)	-	-	-	-	427	(46,843)
Carrs Agriculture Limited	-	-	-	-	-	-	1,494	-
Carrs Engineering Limited	-	(4,491)	-	-	-	-	-	(102)
Tax payable to other group companies	-	-	-	-	-	-	-	(208,535)
Inter company balances with dormant group companies	-	-	-	-	-	-	33,068	(5,434,650)
	3,681	(290,232)	(566,560)	(241,166)	4,301	(2,100,000)	102,772	(13,388,218)

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	-	(493)	-	-	-	-	-	(82)

28 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.