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Carr's Flour Mills Limited

Annual report and financial statements

for the 52 week period ended 1 September 2012

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**Carr's Flour Mills Limited**  
**Annual report and financial statements**  
**for the 52 week period ended 1 September 2012**  
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# **Carr's Flour Mills Limited**

## **Directors' report for the 52 week period ended 1 September 2012**

The directors present their report and the audited financial statements of the company for the 52 week period ended 1 September 2012. The comparative period was for the 53 weeks ended 3 September 2011.

### **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 £283,994 (2011 £1,257,312) for the period and revenue of £80,477,225 (2011 £82,606,459).

The company comprises three flour mills, in Fife, Cumbria and Essex, providing near national coverage. The company supplies most sectors of the market, including industrial bakers, craft bakers, food manufacturers and multiple retailers.

The continuing over-capacity in the flour milling industry had a negative impact during the period when volumes were down by 1 per cent and the wheat price was volatile with a price range of £180 per tonne to £250 per tonne experienced in the last twelve months. The financial impact of this was partly mitigated by the performance of our wheat handling facility at Kirkcaldy, which exceeded our expectations, and the continued growth of speciality flour sales, in particular the expansion of our products sold to the ethnic food market.

The decision to invest £17 million in a new replacement flour mill at Kirkcaldy followed a comprehensive review by the Board of the options available to improve financial performance, and increase the competitiveness of the Company in a difficult market. The Board took into account the fact that the current mill is near the end of its natural life, the ever increasing importance of food safety, the Company's market position, and potential operational efficiencies to be achieved.

The Company has a strong customer base in Scotland and the North of England. Kirkcaldy is the ideal location for the new mill, given the success of the re-opened port, and the logistics of the customers the mill serves.

The new mill will provide significant and immediate efficiencies in the areas of operations, energy consumption and raw material costs. Even with the less favourable market backdrop persisting, the profitability of the Company is expected to be positively impacted by the commissioning of this new mill.

Construction of the new mill commenced in July with commissioning scheduled for September 2013.

### **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 16 to 17 of the ultimate parent company's annual report.

The entity's financial risk management objectives and policies are described on page 14 of the ultimate parent company's annual report and Note 19 of this report.

### **Key performance indicators ("KPIs")**

The company's directors believe that the most significant KPI is profit before tax as shown on the income statement on page 5. KPIs are also discussed further on pages 13 and 14 of the ultimate parent company's annual report.

# Carr's Flour Mills Limited

## 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 1 September 2012 of £820,000 (2011 £1,194,000)

The proposed dividend in respect of the period ended 1 September 2012 is £465,000 (2011 £820,000)

## Directors

The directors who held office during the period and up to the date of signing the financial statements are given below

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

## Third party indemnity

The company has maintained a directors' and officers' liability insurance policy throughout the period and up to the date of signing the financial statements, which is classed as a qualifying third party indemnity provision for the purposes of the Companies Act 2006. 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 34 days (2011 46 days) of average purchases for goods and services made during the period.

## Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

## **Carr's Flour Mills Limited**

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

### **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 s418 of the Companies Act 2006.

By order of the Board



R C Wood

Company secretary

19 December 2012

# **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 1 September 2012 which comprise the income statement, the balance sheet, the statement of changes in equity, the statement of cash flows, the statement of accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities set out on pages 2 and 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 1 September 2012 and of its profit and cash flows for the 52 week period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

*Mark Webster*

Mark Webster (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne

19 December 2012

# Carr's Flour Mills Limited

## Income statement for the 52 week period ended 1 September 2012

	Note	52 week period 2012 £	53 week period 2011 £
<b>Continuing operations</b>			
Revenue	1	80,477,225	82,606,459
Cost of sales		(71,573,013)	(72,559,876)
<b>Gross profit</b>		<b>8,904,212</b>	<b>10,046,583</b>
Distribution costs		(5,385,925)	(5,544,658)
Administrative expenses		(3,029,532)	(3,086,216)
<b>Operating profit</b>	2,3	<b>488,755</b>	<b>1,415,709</b>
Profit on disposal of property	3	77,666	-
Finance income	5	2,005	1,197
Finance costs	5	(284,432)	(159,594)
<b>Profit before taxation</b>	3	<b>283,994</b>	<b>1,257,312</b>
Taxation	6	87,653	(177,644)
<b>Profit for the period attributable to owners of the company</b>		<b>371,647</b>	<b>1,079,668</b>

There is no other comprehensive income for the current or prior period

# Carr's Flour Mills Limited

## Balance sheet as at 1 September 2012

	Note	2012 £	2011 £
<b>Non-current assets</b>			
Intangible assets	8	141,766	161,829
Property, plant and equipment	9	14,624,530	11,526,829
Investment property	10	124,902	144,407
Investment in subsidiaries	11	2	2
Other investments	11	1,000	1,000
Deferred tax asset	22	63,544	10,538
		<b>14,955,744</b>	<b>11,844,605</b>
<b>Current assets</b>			
Inventories	12	4,697,056	5,393,508
Trade and other receivables	13	11,961,631	13,785,062
Cash and cash equivalents	14	305,899	302,351
		<b>16,964,586</b>	<b>19,480,921</b>
<b>Total assets</b>		<b>31,920,330</b>	<b>31,325,526</b>
<b>Current liabilities</b>			
Trade and other payables	15	(7,571,906)	(10,861,433)
<i>Financial liabilities</i>			
Borrowings	16	(18,770,620)	(14,276,515)
Derivative financial instruments	19	(235,586)	-
Current tax liabilities	17	(178,188)	(341,937)
		<b>(26,756,300)</b>	<b>(25,479,885)</b>



# Carr's Flour Mills Limited

## Balance sheet as at 1 September 2012 (continued)

	Note	2012 £	2011 £
<b>Non-current liabilities</b>			
<i>Financial liabilities</i>			
Borrowings	16	(136,594)	(122,152)
Other non-current liabilities	18	(878,712)	(928,755)
Deferred tax liabilities	22	(1,588,988)	(1,795,083)
		<b>(2,604,294)</b>	<b>(2,845,990)</b>
<b>Total liabilities</b>		<b>(29,360,594)</b>	<b>(28,325,875)</b>
<b>Net assets</b>		<b>2,559,736</b>	<b>2,999,651</b>
 <b>Shareholders' equity</b>			
Ordinary share capital	23	207,307	207,307
Capital redemption reserve		207,286	207,286
Equity compensation reserve		37,415	29,396
Revaluation reserve		682,902	693,040
Retained earnings		1,424,826	1,862,622
<b>Total shareholders' equity</b>		<b>2,559,736</b>	<b>2,999,651</b>

The financial statements on pages 5 to 45 were approved by the Board of Directors on 19 December 2012 and were signed on its behalf by



R C Wood  
Director

Carr's Flour Mills Limited

Registered Number 00480341

# Carr's Flour Mills Limited

## Statement of changes in shareholders' equity for the 52 week period ended 1 September 2012

	Note	Ordinary share capital £	Capital redemption reserve £	Equity compensation reserve £	Revaluation reserve £	Retained earnings £	Total £
At 29 August 2010		207,307	207,286	35,747	703,178	1,956,931	3,110,449
Profit for the financial period		-	-	-	-	1,079,668	1,079,668
Equity-settled share- based payment transactions	21	-	-	3,534	-	-	3,534
Dividends paid	7	-	-	-	-	(1,194,000)	(1,194,000)
Transfer between reserves		-	-	(9,885)	(10,138)	20,023	-
At 3 September 2011		207,307	207,286	29,396	693,040	1,862,622	2,999,651
At 4 September 2011		207,307	207,286	29,396	693,040	1,862,622	2,999,651
Profit for the financial period		-	-	-	-	371,647	371,647
Equity-settled share- based payment transactions	21	-	-	8,438	-	-	8,438
Dividends paid	7	-	-	-	-	(820,000)	(820,000)
Transfer between reserves		-	-	(419)	(10,138)	10,557	-
At 1 September 2012		207,307	207,286	37,415	682,902	1,424,826	2,559,736

# Carr's Flour Mills Limited

## Statement of cash flows for the 52 week period ended 1 September 2012

	Note	52 week period 2012 £	53 week period 2011 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	24	1,276,042	1,952,190
Interest received		2,005	1,197
Interest paid		(284,432)	(159,594)
Tax paid		(335,197)	(455,841)
<b>Net cash generated from operating activities</b>		<b>658,418</b>	<b>1,337,952</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(4,261,122)	(2,721,424)
Proceeds from sale of property, plant and equipment		21,395	32,477
Proceeds from sale of investment property		93,521	-
<b>Net cash used in investing activities</b>		<b>(4,146,206)</b>	<b>(2,688,947)</b>
<b>Cash flows from financing activities</b>			
Finance lease capital payments		(163,837)	(208,673)
Dividends paid to shareholders		(820,000)	(1,194,000)
Receipt of grant income		-	829,500
<b>Net cash used in financing activities</b>		<b>(983,837)</b>	<b>(573,173)</b>
Effects of exchange rate changes		(286)	(3)
<b>Net decrease in cash and cash equivalents</b>		<b>(4,471,911)</b>	<b>(1,924,171)</b>
Cash and cash equivalents at the start of the period		(860,542)	1,063,629
<b>Cash and cash equivalents at the end of the period</b>	14	<b>(5,332,453)</b>	<b>(860,542)</b>

# **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.

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.

### **Basis of preparation**

These financial statements have been prepared on a going concern basis 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 2006 applicable to companies reporting under IFRS. No IFRSs have been adopted before their effective date.

The financial statements are prepared on the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit and loss.

The preparation of financial statements in conformity with IFRSs 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.

### **Consolidation**

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 400 of the Companies Act 2006.

### **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.

# Carr's Flour Mills Limited

## Retirement benefit obligations

Employees are members of Carr's Milling Industries Pension Scheme 1993 and Carr's Flour Mills Group Personal Pension Plan

Contributions to the defined benefit pension schemes are across the participating companies. Costs are not defined for each individual company as the company is unable to identify its share of the underlying assets and liabilities in the scheme. Contributions payable by Carr's Flour Mills Limited are charged to the income statement in the period they fall due.

## Non-recurring items

Non-recurring items 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 helps provide a better indication of the company's underlying business performance. Events which give rise to non-recurring items include gains or losses on the disposal of businesses, gains or losses on the disposal of properties, the restructuring of businesses, the integration of new businesses and asset impairments.

## Interest

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

## Intangible assets

Intangible assets are carried at cost less accumulated amortisation. Amortisation commences when assets are available for use. Customer relationships have been amortised in line with the profit streams generated over the life of the relationship. The life of the relationships ranged 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.

## 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 IFRS 1, the company has opted to treat previous revaluations of property made under UK GAAP as deemed cost at the date of transition.

Freehold land is 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	4 to 10 years

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

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.

# **Carr's Flour Mills Limited**

## **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

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

## **Impairment of non-financial 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. If the asset does not generate cash flows that are largely independent of those from other assets or groups of assets, the recoverable amount of the cash generating unit to which the asset belongs is determined. Discount rates reflecting the asset specific risks and the time value of the money are used for the value in use calculation.

## **Inventories**

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

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

Provision has been made, where necessary, for slow moving, obsolete and defective stock.

## **Cash and cash equivalents**

Cash and cash equivalents for the purposes of the statement of cash flows and the balance sheet comprise cash at bank and in hand and bank overdrafts. Bank overdrafts are presented in borrowings within current liabilities in the balance sheet.

# **Carr's Flour Mills Limited**

## **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.

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, is provided at amounts expected to be paid (or recovered) using the tax rates that have been enacted or substantively 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 nor taxable profit or loss, is not recognised. Deferred tax is measured using tax rates that have been enacted or substantively 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 available against which the temporary differences can be utilised. Tax is recognised in the income statement.

## **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.

## **Borrowings**

Interest-bearing loans and overdrafts are recognised initially at fair value net of direct issue costs and are subsequently stated at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

# Carr's Flour Mills Limited

## Trade payables

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

## Derivative financial instruments and hedging activities

The company primarily uses forward foreign currency contracts to manage its exposure to fluctuating foreign exchange rates. These instruments are initially recognised at fair value and are subsequently re-measured at their fair value at each balance sheet date. The company does not designate derivatives as hedge instruments and therefore does not adopt hedge accounting. As a result changes in the fair value of derivative financial instruments are recognised in the income statement as they arise.

## 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.

At each balance sheet date the ultimate parent company revises its estimate of the number of options that are expected to vest. Changes to the fair value recognised as a result of this are charged or credited to the income statement with a corresponding adjustment to the equity compensation reserve.

## Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity, as a deduction, net of tax, from the proceeds.

## New standards and interpretations

From 4 September 2011 the following interpretations became effective and were adopted by the company.

*IAS 24 (revised) 'Related party disclosures'* - This revised standard removes the requirement for government related entities to disclose details of all transactions with the government and other government-related entities and it clarifies and simplifies the definition of a related party.

*Amendment to IFRS 1 on Hyperinflation and fixed dates* - These amendments include two changes to IFRS 1, 'First-time adoption of IFRS'. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

*Amendment to IFRS 7, Financial instruments: Transfers of financial assets* - The amendments promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.



# Carr's Flour Mills Limited

Amendment to *IFRIC 14, 'Pre-payments of a Minimum Funding Requirement'* - This amendment will have a limited impact, as it applies only to entities that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', relating to voluntary pension pre-payments when there is a minimum funding requirement.

The adoption of these interpretations has had no impact on the company's profit for the year or equity.

The following new standards, amendments 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 periods commencing on or after
IFRS 9 'Financial instruments'	1 January 2015
IFRS 10 'Consolidated financial statements'	1 January 2013
IFRS 11 'Joint arrangements'	1 January 2013
IFRS 12 'Disclosures of interests in other entities'	1 January 2013
IFRS 13 'Fair value measurement'	1 January 2013
IAS 27 (revised 2011) 'Separate financial statements'	1 January 2013
IAS 28 (revised 2011) 'Associates and joint ventures'	1 January 2013
Amendment to IFRS 1, 'First time adoption' on government grants	1 January 2013
Amendments to IFRS 7 on Financial instruments asset and liability offsetting	1 January 2013
Amendments to IFRS 10, 11 and 12 on transition guidance	1 January 2013
Amendment to IAS 1 'Presentation of financial statements' on OCI	1 July 2012
Amendment to IAS 12 'Income taxes' on deferred tax	1 January 2012
Amendment to IAS 19 (revised 2011) 'Employee benefits'	1 January 2013
Amendments to IAS 32 on Financial instruments asset and liability offsetting	1 January 2014
Annual improvements to IFRSs 2011	1 January 2013
IFRIC 20 'Stripping costs in the production phase of a surface mine'	1 January 2013

It is considered that the above standards, amendments and interpretations will not have a significant effect on the results or net assets of the company but will increase the level of disclosure to be made in the financial statements.

## 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.

## **Carr's Flour Mills Limited**

### *Valuation of derivative financial instruments*

The fair value of derivative financial instruments is determined using market factors at the period end over which management have no control. Such factors include the estimate of future currency exchange rates. In addition, the fair value of such instruments is affected by the global economic environment and financial institution pricing structures.

# Carr's Flour Mills Limited

## Notes to the financial statements for the 52 week period ended 1 September 2012

### 1 Revenue

At 1 September 2012, all of the activities of the company fall into one class of business, namely that of flour milling. All revenue originated in the UK.

### 2 Operating profit

The following items have been included in arriving at operating profit

	2012	2011
	£	£
Staff costs (Note 4)	6,939,494	6,973,728
Foreign exchange losses	286	3
Depreciation of property, plant and equipment	1,430,191	1,308,000
(Profit)/loss on disposal of property, plant and equipment	(2,240)	2,160
Depreciation of investment property	3,650	3,980
Amortisation of intangible assets (included in administrative expenses)	20,063	22,025
Amortisation of government grants	(50,043)	(8,571)
Loss on derivative financial instruments (Note 19)	235,586	-
Other operating lease rentals payable	550,794	534,771

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

	2012	2011
	£	£
Rental income	12,290	12,361
Operating expenses	(6,041)	(7,177)
	6,249	5,184

#### Services provided by the group's auditors and network firms

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

	2012	2011
	£	£
Statutory audit	51,270	49,561

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

# Carr's Flour Mills Limited

## 3 Non-recurring items

	2012		2011	
	Amount	Tax credit/ (charge)	Amount	Tax credit/ (charge)
	£	£	£	£
Operating profit				
Derivative financial instrument loss in respect of property, plant and equipment	(235,586)	54,185	-	-
Profit before taxation				
Profit on disposal of investment property	77,666	(19,541)	-	-
Non-recurring items	(157,920)	34,644	-	-
<b>Profit before taxation and non-recurring items</b>	<b>441,914</b>		<b>1,257,312</b>	
Non-recurring items	(157,920)		-	
<b>Profit before taxation</b>	<b>283,994</b>		<b>1,257,312</b>	
<b>Operating profit before non-recurring items</b>	<b>724,341</b>		<b>1,415,709</b>	
Non-recurring items	(235,586)		-	
<b>Operating profit</b>	<b>488,755</b>		<b>1,415,709</b>	

## 4 Employees and directors

### Staff costs for the company during the period

	2012	2011
	£	£
Wages and salaries	5,818,513	5,840,766
Social security costs	607,776	600,067
Fair value charge on share based payments (Note 21)	8,438	3,534
Other pension costs (Note 20)	504,767	529,361
	<b>6,939,494</b>	<b>6,973,728</b>

# Carr's Flour Mills Limited

## 4 Employees and directors (continued)

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

	2012 Number	2011 Number
Sales, office and management	75	76
Manufacturing and distribution	113	118
	188	194

### Key management compensation

	2012 £	2011 £
Salaries and short term benefits	202,778	164,160
Fair value charge on share based payments	719	80
Other pension costs	32,567	28,801
	236,064	193,041

Retirement benefits are accruing to one (2011 one) director under a defined benefit pension scheme

Key management are considered to be the directors of the company, together with employees who have influence over strategic decision making

### Highest paid director

	2012 £	2011 £
Aggregate emoluments	115,018	-
Defined benefit scheme		
Accrued benefit at period end	33,571	-

# Carr's Flour Mills Limited

## 5 Finance income and finance costs

	2012	2011
	£	£
<b>Finance income</b>		
Bank interest receivable	15	14
Interest receivable on amounts owed by group undertakings (Note 27)	1,990	1,183
<b>Total finance income</b>	<b>2,005</b>	<b>1,197</b>
<b>Finance costs</b>		
Bank interest payable	(160,595)	(50,432)
Interest payable on amounts owed by group undertakings (Note 27)	(103,601)	(79,195)
Interest payable on finance leases	(20,236)	(29,967)
<b>Total finance costs</b>	<b>(284,432)</b>	<b>(159,594)</b>

## 6 Taxation

### (a) Analysis of (credit)/charge in the period

	2012	2011
	£	£
<b>Continuing operations</b>		
Current tax		
Current tax expense	178,188	341,937
Adjustments in respect of prior periods	(6,740)	(1,616)
	<b>171,448</b>	<b>340,321</b>
Deferred tax		
Origination and reversal of timing differences	(255,973)	(162,677)
Adjustments in respect of prior periods	(3,128)	-
	<b>(259,101)</b>	<b>(162,677)</b>
<b>Taxation</b>	<b>(87,653)</b>	<b>177,644</b>

# Carr's Flour Mills Limited

## 6 Taxation (continued)

### (b) Factors affecting tax (credit)/charge for the period

The tax assessed for the period is lower (2011 lower) than the standard rate of corporation tax in the UK of 25.16% (2011 27.16%). The differences are explained below

	2012	2011
	£	£
<b>Profit on ordinary activities before taxation</b>	<b>283,994</b>	<b>1,257,312</b>
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 25.16% (2011 27.16%)	<b>71,453</b>	<b>341,486</b>
<i>Effects of</i>		
Adjustments in respect of prior periods	<b>(9,868)</b>	<b>(1,616)</b>
Income not taxable for tax purposes	<b>(17,380)</b>	<b>(19,580)</b>
Effect of changes in tax rates	<b>(131,858)</b>	<b>(142,646)</b>
<b>Total tax (credit)/charge for the period</b>	<b>(87,653)</b>	<b>177,644</b>

The Finance Act 2012, which was substantively enacted on 3 July 2012, includes legislation reducing the main rate of corporation tax to 23% from 1 April 2013. As Finance Act 2012 was substantively enacted at the balance sheet date, deferred tax balances at 1 September 2012 have been calculated using a tax rate of 23%.

A further reduction to the main rate is proposed to reduce the rate by 1% to 22% from 1 April 2014. This proposed reduction in the main rate of corporation tax is not expected to be enacted until a future Finance Bill is approved. The overall effect of the further change from 23% to 22%, if this were applied to the deferred tax balance at 1 September 2012, would be to reduce the deferred tax net liability by approximately £66,000.

## 7 Dividends paid

	2012	2011
	£	£
<b>£3.955 (2011 £5.760) per £1 share</b>	<b>820,000</b>	<b>1,194,000</b>

The proposed dividend in respect of the period ended 1 September 2012 is £465,000 being £2.243 per £1 share. The financial statements do not reflect this dividend payable.

# Carr's Flour Mills Limited

## 8 Intangible assets

	Customer relationships £	Brands £	Total £
<b>Cost</b>			
At 4 September 2011 and 1 September 2012	1,663,210	344,986	2,008,196
<b>Aggregate amortisation</b>			
At 4 September 2011	1,663,210	183,157	1,846,367
Charge for the period	-	20,063	20,063
<b>At 1 September 2012</b>	<b>1,663,210</b>	<b>203,220</b>	<b>1,866,430</b>
<b>Net book amount</b>			
At 1 September 2012	-	141,766	141,766

  

	Customer relationships £	Brands £	Total £
<b>Cost</b>			
At 29 August 2010 and 3 September 2011	1,663,210	344,986	2,008,196
<b>Aggregate amortisation</b>			
At 29 August 2010	1,663,210	161,132	1,824,342
Charge for the period	-	22,025	22,025
<b>At 3 September 2011</b>	<b>1,663,210</b>	<b>183,157</b>	<b>1,846,367</b>
<b>Net book amount</b>			
At 3 September 2011	-	161,829	161,829

Customer relationships have been amortised in line with the profit streams generated over the life of the relationship. The life of the relationships ranged 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 £	Assets in the course of construction £	Total £
<b>Cost</b>					
At 4 September 2011	5,930,668	26,724,053	1,342,590	-	33,997,311
Additions at cost	-	4,222,067	235,980	89,000	4,547,047
Disposals	-	-	(96,075)	-	(96,075)
<b>At 1 September 2012</b>	<b>5,930,668</b>	<b>30,946,120</b>	<b>1,482,495</b>	<b>89,000</b>	<b>38,448,283</b>
<b>Accumulated depreciation</b>					
At 4 September 2011	1,941,311	19,594,369	934,802	-	22,470,482
Charge for the period	160,940	1,093,496	175,755	-	1,430,191
Disposals	-	-	(76,920)	-	(76,920)
<b>At 1 September 2012</b>	<b>2,102,251</b>	<b>20,687,865</b>	<b>1,033,637</b>	<b>-</b>	<b>23,823,753</b>
<b>Net book amount</b>					
<b>At 1 September 2012</b>	<b>3,828,417</b>	<b>10,258,255</b>	<b>448,858</b>	<b>89,000</b>	<b>14,624,530</b>

Included in the above amounts for plant and machinery and motor vehicles are assets held under finance leases with a net book amount of £711,023 (2011 £700,993) This consists of cost of £2,287,022 (2011 £2,160,708) less accumulated depreciation of £1,575,999 (2011 £1,459,715)

Depreciation is recognised within the income statement as shown below

	2012 £	2011 £
Cost of sales	1,283,680	1,172,995
Distribution costs	73,797	97,353
Administrative expenses	72,714	37,652
	<b>1,430,191</b>	<b>1,308,000</b>

# Carr's Flour Mills Limited

## 9 Property, plant and equipment (continued)

	Land and buildings £	Plant and machinery £	Motor vehicles £	Total £
<b>Cost</b>				
At 29 August 2010	5,628,866	24,335,834	1,270,676	31,235,376
Additions at cost	301,802	2,388,219	183,481	2,873,502
Disposals	-	-	(111,567)	(111,567)
<b>At 3 September 2011</b>	<b>5,930,668</b>	<b>26,724,053</b>	<b>1,342,590</b>	<b>33,997,311</b>
<b>Accumulated depreciation</b>				
At 29 August 2010	1,780,371	18,619,578	839,463	21,239,412
Charge for the period	160,940	974,791	172,269	1,308,000
Disposals	-	-	(76,930)	(76,930)
<b>At 3 September 2011</b>	<b>1,941,311</b>	<b>19,594,369</b>	<b>934,802</b>	<b>22,470,482</b>
<b>Net book amount</b>				
<b>At 3 September 2011</b>	<b>3,989,357</b>	<b>7,129,684</b>	<b>407,788</b>	<b>11,526,829</b>

# Carr's Flour Mills Limited

## 10 Investment property

	Land and buildings £
<b>Cost</b>	
At 4 September 2011	199,000
Disposals	(22,000)
<b>At 1 September 2012</b>	<b>177,000</b>
<b>Accumulated depreciation</b>	
At 4 September 2011	54,593
Charge for the period	3,650
Disposals	(6,145)
<b>At 1 September 2012</b>	<b>52,098</b>
<b>Net book amount</b>	
<b>At 1 September 2012</b>	<b>124,902</b>

	Land and buildings £
<b>Cost</b>	
At 29 August 2010 and 3 September 2011	199,000
<b>Accumulated depreciation</b>	
At 29 August 2010	50,613
Charge for the period	3,980
<b>At 3 September 2011</b>	<b>54,593</b>
<b>Net book amount</b>	
<b>At 3 September 2011</b>	<b>144,407</b>

The directors consider that the fair value of investment properties amounts to £665,000 (2011 £770,000)

# Carr's Flour Mills Limited

## 11 Investments

### Investments in subsidiaries

	2012 £	2011 £
<b>Cost and net book value</b>		
<b>At 29 August 2010, 3 September 2011 and 1 September 2012</b>	<b>2</b>	<b>2</b>

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

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

Consolidated financial statements 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

	2012 £	2011 £
<b>Cost and net book value</b>		
<b>At 29 August 2010, 3 September 2011 and 1 September 2012</b>	<b>1,000</b>	<b>1,000</b>

Other investments principally comprise ordinary shares in several private companies in the agricultural sector and are classified as held to maturity. 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

	2012	2011
	£	£
Raw materials and consumables	3,456,472	4,334,236
Finished goods	1,240,584	1,059,272
	4,697,056	5,393,508

Inventories is stated after a provision for impairment of £Nil (2011 £Nil)

£Nil (2011 £Nil) 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

	2012	2011
	£	£
Trade receivables	12,499,542	13,774,811
Less provision for impairment of receivables	(956,278)	(590,678)
Trade receivables – net	11,543,264	13,184,133
Amounts owed by group undertakings (Note 27)	75,490	69,943
Other receivables	212,884	251,208
Prepayments	129,993	279,778
	11,961,631	13,785,062

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 £421,278 (2011 £389,140) 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 and have no fixed repayment date

	2012			2011		
	Gross £'000	Impairment £'000	Past due but not impaired £'000	Gross £'000	Impairment £'000	Past due but not impaired £'000
The ageing of trade receivables is as follows						
Not past due	9,482	-	N/A	11,221	(122)	N/A
Past due 0 – 30 days	1,081	-	1,081	1,128	(115)	1,013
Past due 31 – 60 days	271	-	271	475	(123)	352
Past due 61 – 120 days	332	(10)	322	330	(44)	286
Past 121 days	1,334	(946)	388	621	(187)	434
	12,500	(956)	2,062	13,775	(591)	2,085

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

	2012 £	2011 £
Cash at bank and in hand	305,899	302,351
Overdrafts	(5,638,352)	(1,162,893)
	(5,332,453)	(860,542)

# Carr's Flour Mills Limited

## 15 Trade and other payables

	2012	2011
	£	£
Trade payables	6,747,453	9,170,966
Amounts owed to group undertakings (Note 27)	2,574	887
Amounts owed to associated undertakings (Note 27)	1,294	1,694
Tax and social security payable	201,197	245,136
Accruals and deferred income	619,388	1,442,750
	<b>7,571,906</b>	<b>10,861,433</b>

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

## 16 Borrowings

	2012	2011
	£	£
<b>Current</b>		
Bank overdraft	5,638,352	1,162,893
Loans from group undertakings (Note 27)	13,002,738	13,002,738
Finance lease obligations	129,530	110,884
	<b>18,770,620</b>	<b>14,276,515</b>
<b>Non-current</b>		
Finance lease obligations	136,594	122,152
Fixed rate	266,124	233,036
Floating rate	9,101,195	4,625,736
Non-interest bearing	9,539,895	9,539,895
	<b>18,907,214</b>	<b>14,398,667</b>

# Carr's Flour Mills Limited

## 16 Borrowings (continued)

Borrowings are repayable as follows

	2012 £	2011 £
On demand or within one year	18,770,620	14,276,515
In the second year	92,729	69,662
In the third to fifth years inclusive	43,865	52,490
	<b>18,907,214</b>	<b>14,398,667</b>

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

	2012 %	2011 %
Bank overdraft	3.00	3 00
Loans	3.00	2 25
Finance lease	12.35	14 36

Finance lease obligations	Future minimum lease payments		Repayment profile	
	2012 £	2011 £	2012 £	2011 £
Amounts payable				
Within one year	143,267	128,113	129,530	110,884
In the second year	100,679	77,998	92,729	69,662
In the third to fifth years inclusive	48,567	57,811	43,865	52,490
	<b>292,513</b>	<b>263,922</b>	<b>266,124</b>	<b>233,036</b>
Less future finance charges	(26,389)	(30,886)		
Present value of lease obligations	<b>266,124</b>	<b>233,036</b>		

## 17 Current tax liabilities

	2012 £	2011 £
Corporation tax	5,806	341,937
Group tax relief	172,382	-
	<b>178,188</b>	<b>341,937</b>



# Carr's Flour Mills Limited

## 18 Other non-current liabilities

Deferred income	2012	2011
	£	£
<b>Grants</b>		
Brought forward	928,755	107,826
Received in the period	-	829,500
Amortisation for period	(50,043)	(8,571)
<b>Carried forward</b>	<b>878,712</b>	<b>928,755</b>

## 19 Financial instruments

The company's activities expose it to a variety of financial risks. 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. This period the Company experienced a bad debt arising from a long established food producer and the exposure, net of provision, was £256,000.

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 particularly 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 in Sterling but conducts business in some foreign currencies.

The company is 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)

Numerical financial instruments disclosures are set out below

	2012	2011
	£	£
<b>Forward foreign currency contracts</b>		
Brought forward liability	-	-
Income statement charge	235,586	-
<b>Carried forward liability</b>	<b>235,586</b>	<b>-</b>

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.

	2012 Book value	2012 Fair value	2011 Book value	2011 Fair value
	£	£	£	£
<b>Fair value of non-current financial liabilities</b>				
Non-current borrowings (Note 16)	(136,594)	(136,594)	(122,152)	(122,152)
Other non-current liabilities (Note 18)	(878,712)	(878,712)	(928,755)	(928,755)
<b>Fair value of current financial assets and financial liabilities</b>				
Trade and other receivables (Note 13)	11,961,631	11,961,631	13,785,062	13,785,062
Cash and cash equivalents (Note 14)	305,899	305,899	302,351	302,351
Derivative financial instruments (Note 19)	(235,586)	(235,586)	-	-
Trade and other payables (Note 15)	(7,571,906)	(7,571,906)	(10,861,433)	(10,861,433)
Current borrowings (Note 16)	(18,770,620)	(18,770,620)	(14,276,515)	(14,276,515)

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 of the company's liquidity.

All the company's financial liabilities, with the exception of finance lease liabilities, 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.

# Carr's Flour Mills Limited

## 19 Financial instruments (continued)

The table below analyses the company's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which have been calculated using spot rates at the relevant balance sheet date.

	2012 Total £	2012 Within one year £	2012 One to two years £	2012 Two to five years £
Bank overdraft	5,638,352	5,638,352	-	-
Loans from group undertakings	13,002,738	13,002,738	-	-
Finance leases	292,513	143,267	100,679	48,567
Derivative financial instruments	235,586	235,586	-	-
Trade and other payables	7,571,906	7,571,906	-	-
	26,741,095	26,591,849	100,679	48,567

  

	2011 Total £	2011 Within one year £	2011 One to two years £	2011 Two to five years £
Bank overdraft	1,162,893	1,162,893	-	-
Loans from group undertakings	13,002,738	13,002,738	-	-
Finance leases	263,922	128,113	77,998	57,811
Trade and other payables	10,861,433	10,861,433	-	-
	25,290,986	25,155,177	77,998	57,811

### 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 and is discussed further on page 69 of the ultimate parent company's annual report.

### Derivative financial instruments

The company does not adopt hedge accounting. Any gains or losses on derivative financial instruments have been recognised in the income statement for the period they arise.

# 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 31 December 2011.

The pension expenses for the defined benefit section of the scheme for the period was £87,264 (2011 £87,298). The pension expense for the defined contribution section of the scheme for the period was £143,363 (2011 £143,837). Outstanding contributions for the scheme at the period end were £17,861 (2011 £16,162).

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 £5.4 million (2011 £6.0 million) on the group scheme at 3 September 2011. This was calculated in accordance with the pension scheme requirements of IAS19 and reflected pension scheme assets of £50.1 million (2011 £43.0 million) and £55.5 million (2011 £48.9 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 £2,937,000 to the defined benefit scheme in the next financial period.

Major assumptions	2012 %	2011 %
Inflation (RPI)	2.55	3.00
Inflation (CPI)	1.85	2.30
Salary increases	3.05	4.00
Rate of discount	4.40	5.40
Pension in payment increases		
RPI or 5.0% per annum if less	2.55	3.00
RPI or 5.0% per annum if less, minimum 3.0% per annum	3.00	3.00
Allowance for revaluation of deferred pensions of CPI or 5.0% per annum if less	1.85	2.30

# Carr's Flour Mills Limited

## 20 Retirement benefits (continued)

The UK Government announced on 8 July 2010 that statutory pension increases or revaluations would be based on the Consumer Prices Index measure of price inflation from 2011, rather than the Retail Prices Index measure of price inflation. The Trustees have received legal advice which states that pension increases in the Scheme will continue to be linked to RPI and deferred increases will in the future be based on the statutory CPI increases.

The mortality tables used in the valuation as at 1 September 2012 are 100% of S1PMA (males) and S1PFA (females) with allowance for mortality improvements using CMI\_2009 with a 1.5%pa underpin. The mortality assumptions adopted imply the following life expectancies at age 65 as at 1 September 2012 (the life expectancies as at 3 September 2011 used a different set of mortality tables)

	At 1 September 2012	At 3 September 2011
Males currently age 45	24.8 years	23.7 years
Females currently age 45	27.0 years	26.1 years
Males currently age 65	22.5 years	21.8 years
Females currently age 65	24.6 years	24.3 years

Movements in the present value of defined benefit obligations	2012 £'000	2011 £'000
At the beginning of the period	48,918	48,551
Current service cost	510	644
Interest cost	2,591	2,496
Changes in assumptions underlying the defined benefit obligation	5,490	(1,296)
Benefits paid	(2,037)	(1,477)
<b>At the end of the period</b>	<b>55,472</b>	<b>48,918</b>

Movements in the fair value of scheme assets	2012 £'000	2011 £'000
At the beginning of the period	42,958	37,806
Expected return on scheme assets	2,624	2,398
Actual return less expected return on scheme assets	2,804	(570)
Contributions by employer	3,772	4,801
Benefits paid	(2,037)	(1,477)
<b>At the end of the period</b>	<b>50,121</b>	<b>42,958</b>

# 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	
	2012	2011	2012	2011
	%	%	£'000	£'000
Equity instruments	6.20	6.65	25,384	21,975
Debt instruments	4.10	5.10	20,659	16,841
Property	6.20	6.45	3,895	3,758
Other assets	4.10	5.10	183	384
	5.33	6.01	50,121	42,958
Actual return on scheme assets			5,428	1,828

The expected long term return on cash is based on the rate of return on bonds. The expected return on bonds is determined by reference to corporate bond yields at the balance sheet date. The expected rate of return on equities and property is based on the rate of return on bonds with an allowance for out-performance.

### (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 £274,140 (2011 £298,226). Outstanding contributions due for the scheme at the period end were £22,832 (2011 £25,981).

## 21 Share-based payments

In 2011 the company participated in a new 3-year and 5-year plan under the existing 2006 approved discretionary employee share save scheme.

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 (comprising a 3-year and a 5-year plan).

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.

# Carr's Flour Mills Limited

## 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:

	Share Save Scheme 2011 (3-year plan)	Share Save Scheme 2011 (5-year plan)	Approved Executive Share Option Scheme 2006	Share Save Scheme 2006 (5-year plan)
Grant date	10/5/11	10/5/11	24/2/06	1/6/06
Share price at grant date (weighted average)	£7.20	£7.20	£4.76	£4.64
Exercise price (weighted average)	£5.72	£5.72	£4.76	£4.79
Number of employees	10	15	6	-
Shares under option	5,550	20,002	27,000	-
Vesting period (years)	3	5	3	5
Model used for valuation	Black Scholes	Black Scholes	Binomial	Black Scholes
Expected volatility	25.00%	24.00%	22.44%	21.37%
Option life (years)	3.5	5.5	10	5.5
Expected life (years)	3.25	5.25	6.5	5.25
Risk-free rate	1.620%	2.450%	4.224%	4.623%
Expected dividends expressed as a dividend yield	3.90%	3.90%	3.36%	3.56%
Expectations of vesting	95%	95%	100%	0%
Expectations of meeting performance criteria	N/A	N/A	100%	N/A
Fair value per option	£1.49	£1.56	£0.99	£0.78

The expected volatility has been calculated using historical daily data over a term commensurate with the expected life of each option. The expected life is the midpoint of the exercise period. 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.

# Carr's Flour Mills Limited

## 21 Share-based payments (continued)

### Share Save Scheme 2011 – 3 year plan

The number and weighted average exercise prices are as follows

	2012	2012	2011	2011
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	£		£	
Outstanding at the beginning of the period	5.72	5,802	-	-
Granted during the period	-	-	5.72	5,802
Forfeited during the period	5.72	(252)	-	-
Outstanding at the end of the period	5.72	5,550	5.72	5,802
Exercisable at the end of the period	-	-	-	-

At the period end the weighted average remaining contractual life of the option is 2.25 years (2011: 3.25 years) with a weighted average remaining expected life of 2 years (2011: 3 years)

### Share Save Scheme 2011 – 5 year plan

The number and weighted average exercise prices are as follows

	2012	2012	2011	2011
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	£		£	
Outstanding at the beginning of the period	5.72	21,080	-	-
Granted during the period	-	-	5.72	21,080
Forfeited during the period	5.72	(1,078)	-	-
Outstanding at the end of the period	5.72	20,002	5.72	21,080
Exercisable at the end of the period	-	-	-	-

At the period end the weighted average remaining contractual life of the options is 4.25 years (2011: 5.25 years) with a weighted average remaining expected life of 4 years (2011: 5 years)



# Carr's Flour Mills Limited

## 21 Share-based payments (continued)

### Approved Executive Share Option Scheme 2006

The number and weighted average exercise prices are as follows

	2012	2012	2011	2011
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	£		£	
Outstanding at the beginning of the period	4.76	27,000	4.76	30,000
Exercised during the period	-	-	4.76	(3,000)
Outstanding at the end of the period	4.76	27,000	4.76	27,000
Exercisable at the end of the period	4.76	27,000	4.76	27,000

At the period end the weighted average remaining contractual life of the options is 3.5 years (2011: 4.5 years) with a weighted average remaining expected life of Nil years (2011: 1 year)

### Share Save Scheme 2006 – 5 year plan

The number and weighted average exercise prices are as follows

	2012	2012	2011	2011
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	£		£	
Outstanding at the beginning of the period	4.79	537	4.79	9,403
Exercised during the period	-	-	4.79	(6,717)
Forfeited during the period	4.79	(537)	4.79	(2,149)
Outstanding at the end of the period	-	-	4.79	537
Exercisable at the end of the period	-	-	4.79	537

At the period end the weighted average remaining contractual life of the options is Nil years (2011: 0.25 years) with a weighted average remaining expected life of Nil years (2011: Nil years)

## Carr's Flour Mills Limited

### 21 Share-based payments (continued)

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

	2012 £	2011 £
Share Save Scheme 2011 - 3 year plan	2,589	684
Share Save Scheme 2011 - 5 year plan	5,849	1,562
Share Save Scheme 2006 - 5 year plan	-	1,288
	8,438	3,534

### 22 Deferred taxation

The movement on the deferred tax account is shown below

	2012 £	2011 £
Brought forward net liability	1,784,545	1,947,222
Income statement credit (Note 6)	(259,101)	(162,677)
Carried forward net liability	1,525,444	1,784,545

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

# Carr's Flour Mills Limited

## 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 assets	Short term timing differences
	£
At 4 September 2011	(10,538)
Income statement credit (Note 6)	(53,006)
<b>At 1 September 2012</b>	<b>(63,544)</b>

Deferred tax liabilities	Accelerated capital allowances	Other	Total
	£	£	£
At 4 September 2011	1,554,606	240,477	1,795,083
Income statement credit (Note 6)	(186,857)	(19,238)	(206,095)
<b>At 1 September 2012</b>	<b>1,367,749</b>	<b>221,239</b>	<b>1,588,988</b>

## 23 Ordinary share capital

	2012	2011
	£	£
<b>Authorised</b>		
250,000 (2011 250,000) ordinary shares of £1 each	<b>250,000</b>	250,000
250,000 (2011 250,000) 3.5% redeemable preference shares of £1 each	<b>250,000</b>	250,000
<b>Allotted and fully paid</b>		
207,307 (2011 207,307) ordinary shares of £1 each	<b>207,307</b>	207,307

# Carr's Flour Mills Limited

## 24 Cash generated from operations

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

	2012	2011
	£	£
<b>Continuing operations</b>		
Profit for the period	371,647	1,079,668
<i>Adjustments for</i>		
Taxation	(87,653)	177,644
Finance income	(2,005)	(1,197)
Finance costs	284,432	159,594
Depreciation of property, plant and equipment	1,430,191	1,308,000
Depreciation of investment property	3,650	3,980
Amortisation of government grants	(50,043)	(8,571)
Amortisation of intangible assets	20,063	22,025
Exchange losses on foreign bank balances and borrowings	286	3
(Profit)/loss on disposal of property, plant and equipment	(2,240)	2,160
Profit on disposal of investment property	(77,666)	-
Fair value loss on derivative financial instruments	235,586	-
Fair value loss on share based payments	8,438	3,534
<i>Changes in working capital</i>		
Decrease/(increase) in inventories	696,452	(1,877,036)
Decrease/(increase) in trade and other receivables	1,823,431	(3,043,537)
(Decrease)/increase in trade and other payables	(3,378,527)	4,125,923
<b>Cash generated from operations</b>	<b>1,276,042</b>	<b>1,952,190</b>

### Non-cash transactions

The principal non-cash transactions are the acquisition of assets by means of finance leases of £196,925 (2011 £152,078)

## **Carr's Flour Mills Limited**

### **25 Commitments under operating leases**

	<b>2012 Plant and machinery £</b>	<b>2011 Plant and machinery £</b>
<b>Total future aggregate minimum lease payments under non-cancellable operating leases are as follows:</b>		
Within one year	<b>447,881</b>	<b>347,581</b>
Later than one year and less than five years	<b>961,946</b>	<b>648,153</b>
After more than five years	<b>29,730</b>	<b>796</b>
	<b>1,439,557</b>	<b>996,530</b>

### **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 1 September 2012 the aggregate amount outstanding under these group banking arrangements was £Nil (2011 £Nil)

# Carr's Flour Mills Limited

## 27 Related party transactions

The company has the following transactions with related entities

In respect of the period ended 1 September 2012

### 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 by £	Amounts owed to £
Carr's Milling Industries PLC	-	-	458,600	(103,601)	1,990	(820,000)	67,850	(7,568,286)
Carrs Billington Agriculture (Sales) Limited	4,618	(5,121)	-	-	-	-	174	(1,042)
Carrs Agriculture Limited	381	-	-	-	-	-	7,466	(514)
Carrs Engineering Limited	-	(1,325)	-	-	-	-	-	(820)
Inter company balances with dormant group companies	-	-	-	-	-	-	-	(5,434,650)
	4,999	(6,446)	458,600	(103,601)	1,990	(820,000)	75,490	(13,005,312)

### Other related party transactions

	Sales to £	Purchases from £	Management charges from £	Interest payable to £	Interest receivable from £	Dividends paid to £	Amounts owed by £	Amounts owed to £
Carrs Billington Agriculture (Operations) Limited	-	-	-	-	-	-	-	(1,294)

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 3 September 2011

### 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 by £	Amounts owed to £
Carr's Milling Industries PLC	-	-	(639,500)	(79,195)	1,183	(1,194,000)	66,815	(7,568,592)
Carrs Billington Agriculture (Sales) Limited	4,856	(17,240)	-	-	-	-	377	(58)
Carrs Agriculture Limited	-	-	-	-	-	-	2,751	(325)
Carrs Engineering Limited	-	(2,013)	-	-	-	-	-	-
Inter company balances with dormant group companies	-	-	-	-	-	-	-	(5,434,650)
	4,856	(19,253)	(639,500)	(79,195)	1,183	(1,194,000)	69,943	(13,003,625)

### Other related party transactions

	Sales to £	Purchases from £	Management charges from £	Interest payable to £	Interest receivable from £	Dividends paid to £	Amounts owed by £	Amounts owed to £
Carrs Billington Agriculture (Operations) Limited	-	-	-	-	-	-	-	(1,694)

## 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.