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Carr's Flour Mills Limited
Annual report and financial statements
for the 52 week period ended 28 August 2010

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Carr's Flour Mills Limited

Annual report and financial statements

for the 52 week period ended 28 August 2010

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Carr's Flour Mills Limited

Directors' report for the 52 week period ended 28 August 2010

The directors present their report and the audited financial statements of the company for the 52 week period ended 28 August 2010

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 £1,508,386 (2009 £1,814,925) for the period and sales of £67,093,698 (2009 £78,956,464)

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. Markets continue to be extremely challenging due to significantly higher raw material prices and industry over-capacity. The company is responding by reducing operating costs, while at the same time focusing on developing speciality products. Recently a contract has been secured to supply a leading UK food retailer with a new range of speciality flours for its own premium brand.

The rise in wheat prices over the last two months of the financial year has been extreme. Following drastic reductions in wheat output from Eastern Europe, exacerbated by wet weather downgrading harvest quality in Northern Europe, and further fuelled by commodity fund speculation on both sides of the Atlantic, the market price of wheat has moved up by over 60%.

These volatile and fast moving markets present challenges and opportunities. We have taken appropriate steps to manage the risks presented by greater volatility and continue to explore new wheat supply opportunities. In the past year we have received cargoes of wheat from Latvia, and also, for the first time in almost 50 years, direct shipments of Canadian wheat into our Silloth mill.

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 page 14 of the ultimate parent company's annual report.

The entity's financial risk management objectives and policies are described on pages 13 and 14 of the ultimate parent company's annual report and Note 18 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 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 28 August 2010 of £1,404,000 (2009 £1,390,000).

The proposed dividend in respect of the period ended 28 August 2010 is £1,194,000 (2009 £1,404,000).

Carr's Flour Mills Limited

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 52 days (2009: 29 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.


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.

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 s418 of the Companies Act 2006.

On behalf of the Board



R C Wood

Company secretary

17 December 2010

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 28 August 2010 which comprise the income statement, the balance sheet, the statement of changes in shareholders' 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, 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 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.

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 28 August 2010 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

17 December 2010

Carr's Flour Mills Limited

Income statement for the 52 week period ended 28 August 2010

	Note	52 week period 2010 £	52 week period 2009 £
Continuing operations			
Revenue	1	67,093,698	78,956,464
Cost of sales		(56,617,492)	(67,981,396)
Gross profit		10,476,206	10,975,068
Distribution costs		(5,745,751)	(5,837,469)
Administrative expenses		(3,056,442)	(3,090,084)
Operating profit	2	1,674,013	2,047,515
Finance income	4	26,942	31,641
Finance costs	4	(192,569)	(264,231)
Profit before taxation		1,508,386	1,814,925
Taxation	5	(330,835)	(576,121)
Profit for the period attributable to equity holders of the company		1,177,551	1,238,804

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

Carr's Flour Mills Limited

Balance sheet as at 28 August 2010

	Note	2010 £	2009 £
Non-current assets			
Intangible assets	7	183,854	207,854
Property, plant and equipment	8	9,995,964	10,687,905
Investment property	9	148,387	152,367
Investment in subsidiaries	10	2	2
Other investments	10	1,000	1,000
Deferred tax asset	21	11,781	13,276
		10,340,988	11,062,404
Current assets			
Inventories	11	3,516,472	4,488,572
Trade and other receivables	12	10,741,525	12,265,453
Cash and cash equivalents	13	1,063,629	229,135
		15,321,626	16,983,160
Total assets		25,662,614	28,045,564
Current liabilities			
Trade and other payables	14	(6,735,510)	(6,681,106)
<i>Financial liabilities</i>			
Borrowings	15	(13,178,631)	(14,992,500)
Current tax liabilities	16	(457,457)	(602,321)
		(20,371,598)	(22,275,927)

Carr's Flour Mills Limited

Balance sheet as at 28 August 2010 (continued)

	Note	2010 £	2009 £
Non-current liabilities			
<i>Financial liabilities</i>			
Borrowings	15	(113,738)	(264,512)
Other non-current liabilities	17	(107,826)	(116,394)
Deferred tax liabilities	21	(1,959,003)	(2,046,970)
		(2,180,567)	(2,427,876)
Total liabilities		(22,552,165)	(24,703,803)
Net assets		3,110,449	3,341,761
Shareholders' equity			
Ordinary share capital	22	207,307	207,307
Capital redemption reserve		207,286	207,286
Equity compensation reserve		35,747	40,610
Revaluation reserve		703,178	713,316
Retained earnings		1,956,931	2,173,242
Total shareholders' equity		3,110,449	3,341,761

The financial statements on pages 5 to 43 were approved by the Board of Directors on 17 December 2010 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 28 August 2010

	Note	Ordinary share capital £	Capital redemption reserve £	Equity compensation reserve £	Revaluation reserve £	Retained earnings £	Total £
At 31 August 2008		207,307	207,286	44,386	723,454	2,314,300	3,496,733
Profit for the financial period		-	-	-	-	1,238,804	1,238,804
Equity-settled share- based payment transactions	20	-	-	(3,776)	-	-	(3,776)
Dividends paid	6	-	-	-	-	(1,390,000)	(1,390,000)
Transfer from other reserve		-	-	-	(10,138)	10,138	-
At 29 August 2009		207,307	207,286	40,610	713,316	2,173,242	3,341,761
At 30 August 2009		207,307	207,286	40,610	713,316	2,173,242	3,341,761
Profit for the financial period		-	-	-	-	1,177,551	1,177,551
Equity-settled share- based payment transactions	20	-	-	(4,863)	-	-	(4,863)
Dividends paid	6	-	-	-	-	(1,404,000)	(1,404,000)
Transfer from other reserve		-	-	-	(10,138)	10,138	-
At 28 August 2010		207,307	207,286	35,747	703,178	1,956,931	3,110,449

Carr's Flour Mills Limited

Statement of cash flows for the 52 week period ended 28 August 2010

	Note	52 week period 2010 £	52 week period 2009 £
Cash flows from operating activities			
Cash generated from operations	23	5,636,840	4,815,521
Interest received		26,942	31,641
Interest paid		(192,569)	(264,231)
Tax paid		(562,171)	(438,438)
Net cash generated from operating activities		4,909,042	4,144,493
Cash flow from investing activities			
Purchase of property, plant and equipment		(688,892)	(954,953)
Proceeds from sale of property, plant and equipment		18,263	13,003
Net cash used in investing activities		(670,629)	(941,950)
Cash flows from financing activities			
Finance lease capital payments		(245,133)	(278,800)
Dividends paid to shareholders		(1,404,000)	(1,390,000)
Net cash used in financing activities		(1,649,133)	(1,668,800)
Effects of exchange rate changes		11	25
Net increase in cash and cash equivalents		2,589,291	1,533,768
Cash and cash equivalents at the start of the period		(1,525,662)	(3,059,430)
Cash and cash equivalents at the end of the period	13	1,063,629	(1,525,662)

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 basis of accounting.

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.

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.

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.

Carr's Flour Mills Limited

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

Inventories

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

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

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.

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.

Carr's Flour Mills Limited

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 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 nor 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 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.

Trade payables

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

Carr's Flour Mills Limited

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

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 2013
IAS 24 Revised 'Related party disclosures'	1 January 2011
Amendment to IFRS 7 'Financial instruments: Disclosures'	1 July 2011
Amendment to IFRIC 14 'Pre-payments of a Minimum Funding Requirement'	1 January 2011
IFRIC 18 'Transfer of Assets from Customers'	30 October 2009
IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'	1 July 2010
Annual improvements 2010	1 January 2011

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.

From 30 August 2009, the following standards, amendments and interpretations became effective and were adopted by the company.

IFRS 8 'Operating segments'
IAS 1 Revised 'Presentation of financial statements'
IAS 23 Revised 'Borrowing costs'
IAS 27 Revised 'Consolidated and separate financial statements'
IFRS 1 Revised 'First time adoption of IFRS'
IFRS 3 Revised 'Business combinations'
IFRIC 13 'Customer Loyalty Programmes'
IFRIC 14 'The Limit on a Defined Benefit Asset'
IFRIC 15 'Agreements for the Construction of Real Estate'
IFRIC 16 'Hedges of a Net Investment Including Foreign Operations'

Carr's Flour Mills Limited

Amendment to IAS 39 'Financial instruments Recognition and measurement', and IFRS 7 'Financial instruments Disclosures' on the reclassification of financial assets

Amendment to IFRIC 9 and IAS 39 regarding embedded derivatives

Amendment to IFRS 1 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' on the cost of an investment in a subsidiary, jointly controlled entity or associate

Annual improvements to IFRSs (2008)

Amendment to IAS 32 'Financial instruments Presentation' and IAS 1 'Presentation of financial statements on puttable financial instruments and obligations arising on liquidation'

Amendment to IFRS 2 'Share-based payments' on vesting conditions and cancellations

Annual improvements 2009

Amendment to IFRS 2 'Share-based payments – Group cash-settled share-based payment transactions'

Amendments to IFRS 1 for additional exemptions

Amendments to IAS 32 'Financial instruments Presentation on classification of rights issues'

Amendment to IAS 39 'Financial instruments Recognition and measurement' on eligible hedged items

IFRIC 17 'Distribution of Non Cash Assets to Owners'

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

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 20. 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 12) 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

Notes to the financial statements for the 52 week period ended 28 August 2010

1 Segmental information

At 28 August 2010, 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

	2010	2009
	£	£
Staff costs (Note 3)	7,079,568	7,157,531
Foreign exchange gains	(11)	(25)
Depreciation of property, plant and equipment	1,395,188	1,355,947
Loss/(profit) on disposal of property, plant and equipment	2,669	(498)
Depreciation of investment property	3,980	3,980
Amortisation of intangibles (included in administrative expenses)	24,000	26,341
Amortisation and release of government grants	(8,568)	(8,568)
Other operating lease rentals payable	487,586	488,414

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

	2010	2009
	£	£
Rental income	11,968	12,175
Operating expenses	(10,304)	(7,880)
	1,664	4,295

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

	2010	2009
	£	£
Statutory audit	46,581	46,460

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 Employees and directors

Staff costs for the company during the period

	2010	2009
	£	£
Wages and salaries	5,920,363	5,885,503
Social security costs	619,553	616,901
Fair value credit on share based payments (Note 20)	(4,863)	(3,776)
Other pension costs (Note 19)	544,515	658,903
	7,079,568	7,157,531

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

	2010	2009
	Number	Number
Sales, office and management	76	76
Manufacturing and distribution	119	120
	195	196

Key management compensation

	2010	2009
	£	£
Salaries and short term benefits	140,571	147,939
Fair value charge/(credit) on share based payments	203	(10,189)
Other pension costs	28,826	19,655
	169,600	157,405

Retirement benefits are accruing to one (2009 one) director under a defined benefit pension scheme

Key management are considered to be the directors of the company

Carr's Flour Mills Limited

4 Finance income and finance costs

	2010 £	2009 £
Finance income		
Bank interest receivable	20,397	29,657
Interest receivable on amounts owed by group undertakings (Note 26)	1,161	1,984
Other interest receivable	5,384	-
Total finance income	26,942	31,641
Finance costs		
Bank interest payable	(63,698)	(102,805)
Interest payable on amounts owed by group undertakings (Note 26)	(77,701)	(120,535)
Interest payable on finance leases	(37,483)	(40,891)
Other interest payable	(13,687)	-
Total finance costs	(192,569)	(264,231)

5 Taxation

(a) Analysis of charge in the period

	2010 £	2009 £
Continuing operations		
Current tax		
Current tax expense	457,457	602,321
Adjustments in respect of prior periods	(40,150)	8,240
	417,307	610,561
Deferred tax		
Origination and reversal of timing differences	(122,334)	(34,229)
Adjustments in respect of prior periods	35,862	(211)
	(86,472)	(34,440)
Taxation	330,835	576,121

Carr's Flour Mills Limited

5 Taxation (continued)

(b) Factors affecting tax charge for the period

The tax assessed for the period is lower (2009 higher) than the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

	2010	2009
	£	£
Profit on ordinary activities before taxation	1,508,386	1,814,925
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	422,348	508,179
<i>Effects of</i>		
Adjustments to tax in respect of prior periods	(4,288)	8,029
(Income not taxable)/expenses not deductible for tax purposes	(15,106)	59,913
Effect of changes in tax rates	(72,119)	-
Total tax charge for the period	330,835	576,121

A number of changes to the UK corporation tax system were announced in the June 2010 Budget Statement The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, includes legislation reducing the main rate of corporation tax from 28 per cent to 27 per cent from 1 April 2011 Further reductions to the main rate are proposed to reduce the rate by 1 per cent per annum to 24 per cent by 1 April 2014 As the Finance (No 2) Act 2010 was substantively enacted at the balance sheet date, deferred tax balances at 28 August 2010 have been calculated using a tax rate of 27 per cent

The proposed reductions of the main rate of corporation tax by 1 per cent per year to 24 per cent by 1 April 2014 are expected to be enacted separately each year The overall effect of the further changes from 27 per cent to 24 per cent, if these applied to the deferred tax balance at 28 August 2010, would be to reduce the deferred tax net liability by £216,357 (being £72,119 recognised in 2011, £72,119 recognised in 2012 and £72,119 recognised in 2013)

6 Dividends paid

	2010	2009
	£	£
Ordinary shares £6 773 (2009 £6 705) per £1 share	1,404,000	1,390,000

The proposed dividend in respect of the period ended 28 August 2010 is £1,194,000 being £5 760 per £1 share The financial statements do not reflect this dividend payable

Carr's Flour Mills Limited

7 Intangible assets

	Customer relationships £	Brands £	Total £
Cost			
At 30 August 2009 and 28 August 2010	1,663,210	344,986	2,008,196
Aggregate amortisation			
At 30 August 2009	1,663,210	137,132	1,800,342
Charge for the period	-	24,000	24,000
At 28 August 2010	1,663,210	161,132	1,824,342
Net book amount			
At 28 August 2010	-	183,854	183,854

	Customer relationships £	Brands £	Total £
Cost			
At 31 August 2008 and 29 August 2009	1,663,210	344,986	2,008,196
Aggregate amortisation			
At 31 August 2008	1,663,210	110,791	1,774,001
Charge for the period	-	26,341	26,341
At 29 August 2009	1,663,210	137,132	1,800,342
Net book amount			
At 29 August 2009	-	207,854	207,854

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

8 Property, plant and equipment

	Land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 30 August 2009	5,596,581	23,718,980	1,302,883	30,618,444
Additions at cost	32,285	616,854	75,040	724,179
Disposals	-	-	(107,247)	(107,247)
At 28 August 2010	5,628,866	24,335,834	1,270,676	31,235,376
Accumulated depreciation				
At 30 August 2009	1,625,548	17,564,475	740,516	19,930,539
Charge for the period	154,823	1,055,103	185,262	1,395,188
Disposals	-	-	(86,315)	(86,315)
At 28 August 2010	1,780,371	18,619,578	839,463	21,239,412
Net book amount				
At 28 August 2010	3,848,495	5,716,256	431,213	9,995,964

Included in the above amounts for plant and machinery and motor vehicles are assets held under finance leases with a net book amount of £805,230 (2009 £1,057,788). This consists of cost of £2,113,118 (2009 £2,123,447) less accumulated depreciation of £1,307,888 (2009 £1,065,659).

Depreciation is recognised within the income statement as shown below

	2010 £	2009 £
Cost of sales	1,228,412	1,184,801
Distribution costs	119,934	117,333
Administrative expenses	46,842	53,813
	1,395,188	1,355,947

Carr's Flour Mills Limited

8 Property, plant and equipment (continued)

	Land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 31 August 2008	5,596,581	23,186,221	1,216,465	29,999,267
Additions at cost	-	966,922	185,494	1,152,416
Disposals	-	(434,163)	(99,076)	(533,239)
At 29 August 2009	5,596,581	23,718,980	1,302,883	30,618,444
Accumulated depreciation				
At 31 August 2008	1,467,951	16,973,552	653,823	19,095,326
Charge for the period	157,597	1,025,086	173,264	1,355,947
Disposals	-	(434,163)	(86,571)	(520,734)
At 29 August 2009	1,625,548	17,564,475	740,516	19,930,539
Net book amount				
At 28 August 2009	3,971,033	6,154,505	562,367	10,687,905

Carr's Flour Mills Limited

9 Investment property

	Land and buildings £
Cost	
At 30 August 2009 and 28 August 2010	199,000
Accumulated depreciation	
At 30 August 2009	46,633
Charge for the period	3,980
At 28 August 2010	50,613
Net book amount	
At 28 August 2010	148,387

	Land and buildings £
Cost	
At 31 August 2008 and 29 August 2009	199,000
Accumulated depreciation	
At 31 August 2008	42,653
Charge for the period	3,980
At 29 August 2009	46,633
Net book amount	
At 29 August 2009	152,367

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

Carr's Flour Mills Limited

10 Investments

Investments in subsidiaries

	2010 £	2009 £
Cost and net book value		
At 31 August 2008, 30 August 2009 and 28 August 2010	2	2

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 27 for further details.

Other investments

	2010 £	2009 £
Cost and net book value		
At 31 August 2008, 30 August 2009 and 28 August 2010	1,000	1,000

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

11 Inventories

	2010	2009
	£	£
Raw materials and consumables	3,017,242	3,771,436
Finished goods	499,230	717,136
	3,516,472	4,488,572

Inventories is stated after a provision for impairment of £152,000 (2009 £152,000)

£Nil (2009 £Nil) has been recognised as an expense within the income statement in respect of inventory write-downs during the current period

12 Trade and other receivables

	2010	2009
	£	£
Trade receivables	10,898,111	12,140,607
Less provision for impairment of receivables	(415,278)	(376,823)
Trade receivables -- net	10,482,833	11,763,784
Amounts owed by group undertakings (Note 26)	74,112	234,909
Other receivables	129,122	178,933
Prepayments	55,458	87,827
	10,741,525	12,265,453

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 £212,275 (2009 £226,823) 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

12 Trade and other receivables (continued)

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

	2010		2009	
	Gross £'000	Impairment £'000	Gross £'000	Impairment £'000
The ageing of trade receivables is as follows				
Not past due	8,040	-	10,117	(19)
Past due 0 – 30 days	1,722	(26)	1,249	(45)
Past due 31 – 60 days	367	(64)	427	(115)
Past due 61 – 120 days	428	(156)	348	(198)
Past 121 days	341	(169)	-	-
	10,898	(415)	12,141	(377)

No 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.

13 Cash and cash equivalents

	2010 £	2009 £
Cash at bank and in hand	1,063,629	229,135
Overdrafts	-	(1,754,797)
	1,063,629	(1,525,662)

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14 Trade and other payables

	2010	2009
	£	£
Trade payables	5,606,167	5,402,947
Amounts owed to group undertakings (Note 26)	2,701	194,506
Amounts owed to associated undertakings (Note 26)	1,044	914
Tax and social security payable	207,170	226,457
Accruals and deferred income	918,428	856,282
	6,735,510	6,681,106

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

15 Borrowings

	2010	2009
	£	£
Current		
Bank overdraft	-	1,754,797
Loans from group undertakings (Note 26)	13,002,738	13,002,738
Finance lease obligations	175,893	234,965
	13,178,631	14,992,500
Non-current		
Finance lease obligations	113,738	264,512
Fixed rate	289,631	499,477
Floating rate	3,462,843	5,217,640
Non-interest bearing	9,539,895	9,539,895
	13,292,369	15,257,012

Carr's Flour Mills Limited

15 Borrowings (continued)

Borrowings are repayable as follows

	2010 £	2009 £
On demand or within one year	13,178,631	14,992,500
In the second year	83,601	164,134
In the third to fifth years inclusive	30,137	100,378
	13,292,369	15,257,012

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

	2010 %	2009 %
Bank overdraft	3.00	3.00
Loans	2.25	2.25
Finance lease	9.50	16.50

	Future minimum lease payments		Repayment profile	
	2010 £	2009 £	2010 £	2009 £
Finance lease obligations				
Amounts payable				
Within one year	204,893	270,985	175,893	234,965
In the second year	95,310	191,322	83,601	164,134
In the third to fifth years inclusive	35,252	117,744	30,137	100,378
	335,455	580,051	289,631	499,477
Less: future finance charges	(45,824)	(80,574)		
Present value of lease obligations	289,631	499,477		

16 Current tax liabilities

	2010 £	2009 £
Corporation tax	457,457	23,798
Group relief	-	578,523
	457,457	602,321

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17 Other non-current liabilities

Deferred income	2010	2009
	£	£
Grants		
Brought forward	116,394	124,962
Amortisation for period	(8,568)	(8,568)
Carried forward	107,826	116,394

18 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 12.

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

18 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.

	2010 Book value	2010 Fair value	2009 Book value	2009 Fair value
	£	£	£	£
Fair value of non-current financial assets and financial liabilities				
Non-current borrowings (Note 15)	(113,738)	(113,738)	(264,512)	(264,512)
Other non-current liabilities (Note 17)	(107,826)	(107,826)	(116,394)	(116,394)
Fair value of current financial assets and financial liabilities				
Trade and other receivables (Note 12)	10,741,525	10,741,525	12,265,453	12,265,453
Cash and cash equivalents (Note 13)	1,063,629	1,063,629	229,135	229,135
Trade and other payables (Note 14)	(6,735,510)	(6,735,510)	(6,681,106)	(6,681,106)
Current borrowings (Note 15)	(13,178,631)	(13,178,631)	(14,992,500)	(14,992,500)

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 15. Deferred income (Note 17) is being amortised on a straight line basis.

Carr's Flour Mills Limited

18 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.

	2010 Total £	2010 Within one year £	2010 One to two years £	2010 Two to five years £
Bank overdraft	-	-	-	-
Loans from group undertakings	13,002,738	13,002,738	-	-
Finance leases	335,455	204,893	95,310	35,252
Trade and other payables	6,735,510	6,735,510	-	-
	20,073,703	19,943,141	95,310	35,252

	2009 Total £	2009 Within one year £	2009 One to two years £	2009 Two to five years £
Bank overdraft	1,754,797	1,754,797	-	-
Loans from group undertakings	13,002,738	13,002,738	-	-
Finance leases	580,051	270,985	191,322	117,744
Trade and other payables	6,681,106	6,681,106	-	-
	22,018,692	21,709,626	191,322	117,744

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 63 of the ultimate parent company's annual report.

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19 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 2009.

The pension expenses for the defined benefit section of the scheme for the period was £87,278 (2009 £302,573). The pension expense for the defined contribution section of the scheme for the period was £148,097 (2009 £86,021). Outstanding contributions for the scheme at the period end were £15,520 (2009 £16,630).

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 £10.7 million (2009 £14.7 million) on the group scheme at 28 August 2010. This was calculated in accordance with the pension scheme requirements of IAS19 and reflected pension scheme assets of £37.8 million (2009 £32.1 million) and £48.6 million (2009 £46.8 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 £2,880,000 to the defined benefit scheme in the next financial period.

Major assumptions	2010 %	2009 %
Inflation	2.8	3.1
Salary increases	3.8	4.1
Rate of discount	5.1	5.6
Pension in payment increases		
Pre 1 September 2001	3.1	3.4
Post 1 September 2001	2.8	3.1
Revaluation rate for deferred pensioners for pensions revaluing at 5.0% per annum or RPI if less	2.8	3.1

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19 Retirement benefits (continued)

The Government has announced future changes to the revaluation of deferred pensions and increases to pensions in payment from occupational pension schemes. The statutory minimum for these calculations will be linked not to retail prices but to the Consumer Price Index from 6 April 2011. Since this is not yet endorsed the pension assumptions at 28 August 2010 continue to be based on the Retail Price Index.

Mortality rates used in the valuation have been updated to (130% of qx) PN*A00 (year of birth) and the Long Cohort improvement factors with a 1% underpin. The mortality assumptions adopted imply the following life expectancies at age 65:

	At 28 August 2010	At 29 August 2009
Males currently age 45	23.6 years	23.5 years
Females currently age 45	26.0 years	26.0 years
Males currently age 65	21.7 years	21.5 years
Females currently age 65	24.2 years	24.1 years

Movements in the present value of defined benefit obligations	2010 £'000	2009 £'000
At the beginning of the period	46,763	48,016
Current service cost	588	568
Interest cost	2,592	2,937
Changes in assumptions underlying the defined benefit obligation	6	(3,041)
Benefits paid	(1,398)	(1,717)
At the end of the period	48,551	46,763

Movements in the fair value of scheme assets	2010 £'000	2009 £'000
At the beginning of the period	32,090	31,458
Expected return on scheme assets	1,993	1,900
Actual return less expected return on scheme assets	2,300	(2,090)
Contributions by employer	2,821	2,539
Benefits paid	(1,398)	(1,717)
At the end of the period	37,806	32,090

Carr's Flour Mills Limited

19 Retirement benefits (continued)

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

	Expected return		Fair value of assets	
	2010	2009	2010	2009
	%	%	£'000	£'000
Equity instruments	6.96	7.2	18,643	16,311
Debt instruments	4.2	4.6	15,688	12,629
Property	6.76	7.0	3,321	2,676
Other assets	4.2	4.6	154	474
	5.79	6.4	37,806	32,090
Actual return on scheme assets			4,293	(190)

The expected long term return on cash is determined by reference to bank base rates at the balance sheet date. The expected return on bonds is determined by reference to UK long dated government and 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 £309,140 (2009: £270,309). Outstanding contributions due for the scheme at the period end were £28,114 (2009: £26,188).

20 Share-based payments

In 2007 the company participated in a deferred bonus scheme (Deferred Bonus Scheme 2006). 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 (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.

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20 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	-	7	-	14
Shares under option	-	30,000	-	9,403
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	0%	100%	0%	97%
Expectations of meeting performance criteria	0%	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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20 Share-based payments (continued)

Deferred Bonus Scheme 2006

The number and weighted average exercise prices are as follows

	2010	2010	2009	2009
	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	0.25	3,369
Forfeited during the period	0.25	(3,369)	-	-
Outstanding at the end of the period	-	-	0.25	3,369
Exercisable at the end of the period	-	-	-	-

As the performance criterion under this scheme has not been met, matching shares have not been awarded

Approved Executive Share Option Scheme 2006

The number and weighted average exercise prices are as follows

	2010	2010	2009	2009
	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	30,000
Outstanding at the end of the period	4.76	30,000	4.76	30,000
Exercisable at the end of the period	4.76	30,000	4.76	30,000

At the period end the weighted average remaining contractual life of the options is 5.5 years (2009: 6.5 years) with a weighted average remaining expected life of 2 years (2009: 3 years)

Carr's Flour Mills Limited

20 Share-based payments (continued)

Share Save Scheme 2006 – 3 year plan

The number and weighted average exercise prices are as follows

	2010	2010	2009	2009
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	£		£	
Outstanding at the beginning of the period	4.79	234	4.79	8,114
Forfeited during the period	4.79	(234)	4.79	(7,880)
Outstanding at the end of the period	-	-	4.79	234
Exercisable at the end of the period	-	-	4.79	234

No participant in this scheme exercised their right to purchase shares by the end of the exercise period,

Share Save Scheme 2006 – 5 year plan

The number and weighted average exercise prices are as follows

	2010	2010	2009	2009
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	£		£	
Outstanding at the beginning of the period	4.79	12,764	4.79	13,838
Forfeited during the period	4.79	(3,361)	4.79	(1,074)
Outstanding at the end of the period	4.79	9,403	4.79	12,764
Exercisable at the end of the period	-	-	-	-

At the period end the weighted average remaining contractual life of the options is 1.25 years (2009: 2.25 years) with a weighted average remaining expected life of 1 year (2009: 2 years)

Carr's Flour Mills Limited

20 Share-based payments (continued)

The total (credit)/charge recognised for the period arising from share based payments are as follows

	2010 £	2009 £
Approved Executive Share Option Scheme 2006	-	4,950
Share Save Scheme 2006 – 3 year plan	(4,632)	1,090
Share Save Scheme 2006 – 5 year plan	(231)	1,566
Deferred Bonus Scheme 2006	-	(11,382)
	(4,863)	(3,776)

The Share Save Scheme 2006 – 3 year plan cumulative charge has reversed in the current period as none of the participants in the scheme exercised their right to purchase the shares

The Deferred Bonus Scheme 2006 cumulative charge has reversed in the prior period as the performance criterion had not been met

21 Deferred taxation

The movement on the deferred tax account is shown below

	2010 £	2009 £
Brought forward net liability	2,033,694	2,068,134
Income statement credit (Note 5)	(86,472)	(34,440)
Carried forward net liability	1,947,222	2,033,694

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

21 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 30 August 2009	(13,276)
Income statement charge (Note 5)	1,495
At 28 August 2010	(11,781)

Deferred tax liabilities	Accelerated capital allowances £	Other £	Total £
At 30 August 2009	1,777,636	269,334	2,046,970
Income statement credit (Note 5)	(78,348)	(9,619)	(87,967)
At 28 August 2010	1,699,288	259,715	1,959,003

22 Ordinary share capital

	2010 £	2009 £
Authorised		
250,000 (2009 250,000) ordinary shares of £1 each	250,000	250,000
250,000 (2009 250,000) 3 5% redeemable preference shares of £1 each	250,000	250,000
Allotted and fully paid		
207,307 (2009 207,307) ordinary shares of £1 each	207,307	207,307

Carr's Flour Mills Limited

23 Cash generated from operations

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

	2010	2009
	£	£
Continuing operations		
Profit for the period	1,177,551	1,238,804
<i>Adjustments for</i>		
Tax	330,835	576,121
Finance income	(26,942)	(31,641)
Finance costs	192,569	264,231
Depreciation of property, plant and equipment	1,395,188	1,355,947
Depreciation of investment property	3,980	3,980
Amortisation and release of government grants	(8,568)	(8,568)
Amortisation of intangible assets	24,000	26,341
Exchange gains on foreign bank balances and borrowings	(11)	(25)
Loss/(profit) on disposal of property, plant and equipment	2,669	(498)
Net fair value gain on share based payments	(4,863)	(3,776)
<i>Changes in working capital</i>		
Decrease/(increase) in inventories	972,100	(595,736)
Decrease in trade and other receivables	1,523,928	2,464,933
Increase/(decrease) in trade and other payables	54,404	(474,592)
Cash generated from operations	5,636,840	4,815,521

Non-cash transactions

The principal non-cash transactions are the acquisition of assets by means of finance leases of £35,287 (2009 £197,463)

Carr's Flour Mills Limited

24 Commitments under operating leases

	2010 Plant and machinery £	2009 Plant and machinery £
Total future aggregate minimum lease payments under non-cancellable operating leases are as follows		
Within one year	401,215	299,719
Later than one year and less than five years	705,331	644,739
After more than five years	5,575	10,353
	1,112,121	954,811

25 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 28 August 2010 the aggregate amount outstanding under these group banking arrangements was £10,811,749 (2009 £9,680,706)

Carr's Flour Mills Limited

26 Related party transactions

The company has the following transactions with related entities

In respect of the period ended 28 August 2010

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	-	-	(584,000)	(77,701)	1,161	(1,404,000)	66,733	(7,568,581)
Carrs Billington Agriculture (Sales) Limited	6,208	(111,526)	-	-	-	-	297	(94)
Carrs Agriculture Limited	-	-	-	-	-	-	7,082	-
Carrs Engineering Limited	-	(5,466)	-	-	-	-	-	(2,114)
Inter company balances with dormant group companies	-	-	-	-	-	-	-	(5,434,650)
Tax recoverable from other group companies	-	-	-	-	-	-	-	-
	6,208	(116,992)	(584,000)	(77,701)	1,161	(1,404,000)	74,112	(13,005,439)

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	-	-	-	-	-	-	-	(1,044)

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

Carr's Flour Mills Limited

26 Related party transactions (continued)

In respect of the period ended 29 August 2009

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	-	-	(454 000)	(120,535)	1 984	(1 390,000)	169 284	(7,719 570)
Carrs Billington Agriculture (Sales) Limited	3,184	(92,763)	-	-	-	-	183	(42 780)
Carrs Agriculture Limited	-	-	-	-	-	-	7 764	-
Carrs Engineering Limited	-	(1 858)	-	-	-	-	-	(244)
Inter company balances with dormant group companies	-	-	-	-	-	-	33 068	(5 434 650)
Tax recoverable from other group companies	-	-	-	-	-	-	24,610	-
	3,184	(94,621)	(454,000)	(120,535)	1,984	(1,390,000)	234 909	(13 197 244)

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	-	-	-	-	-	-	-	(914)

27 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.