

CARR'S FLOUR MILLS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

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CARR'S FLOUR MILLS LIMITED

COMPANY INFORMATION

Directors	R W Butler M D George D R Monroe G Wishart A W Burns (appointed 1 October 2018)
Company secretary	S L Large
Registered number	00480341
Registered office	Victoria Mills London Road Wellingborough Northamptonshire NN8 2DT
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Victoria House 199 Avebury Boulevard Milton Keynes MK9 1AU

CARR'S FLOUR MILLS LIMITED

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CARR'S FLOUR MILLS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2019

Introduction

The directors present their strategic report for the Company for the year ended 31 March 2019. The principal activity of the Company continued to be that of procurement of wheat and milling of flour.

Business review

As presented in the Company's statement of comprehensive income on page 8 the results of the company show a profit on ordinary activities before taxation of £2.1m (2018: £2.1m) and turnover of £91.6m (2018: £81.7m).

Turnover per tonne rose as global wheat prices increased following the 2018 harvest.

Volumes increased by 5% on the corresponding 12 months due to continued organic growth and customer gains in targeted sectors.

Gross margins per tonne of flour sold increased by 3.2% as increased costs, particularly energy, were recovered.

We continue to strengthen ties with a number of important customers and have seen growth in sales reflecting this. This is underpinned by consistency of product, high levels of customer service and good commercial relationships.

Principal risks and uncertainties

The Company's operations expose it to a variety of commercial and financial risks. The commercial risks include food safety compliance, customer relationship management, demand forecasting and competitor pressure. The financial risks include price risk and credit risk. Given the structure of the Company, the directors have not delegated the responsibility of monitoring financial risks management to a sub-committee of the board.

The policies, which are set by the board of directors and implemented by the Company's senior management team, are as follows:

Commercial risks

Competitor pressure within the flour milling market is a continuing risk for the Company. The Company manages this risk by continuing to encourage investment in capital, production processes, quality and service.

The Company maintains a balanced portfolio of customers and products. This ensures that exposure to fluctuations in the performance of specific sub-sectors can be reduced. The Company employs a team approach to its relationships with its customers, which reduces reliance on a specific individual.

The Company actively monitors market trends and these are incorporated into the detailed commercial plans of the business. The detailed plans are then used as the basis for commodity purchasing, asset utilisation and staffing plans.

The Company also actively monitors its performance against health and safety and food safety provisions. Food safety risk is mitigated by food standards audits, purchasing policies and quality control procedures.

CARR'S FLOUR MILLS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

Principal risks and uncertainties (continued)

Price risk

The Company is exposed to commodity price risk as a result of its operations. Wheat and other raw materials are purchased in advance to ensure continuity of supply and to give certainty of pricing using forward contracts. Detailed reporting of forward wheat and other raw material purchases are made to the board of the Company each month. The directors keep the appropriateness of commodity purchasing policies under review, particularly if there are changes to the size or nature of the Company's operations or structural changes to the commodity markets.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers prior to sales. The debtors ledger is reviewed on a continual basis to identify and highlight overdue debts. Provisions for bad debts are made where appropriate. The Company also purchases credit insurance to mitigate this risk.

Financial key performance indicators

The financial Key Performance Indicators ("KPI's") for the Company as disclosed in the statement of comprehensive income on page 8 are gross profit of £12.2m (2018: £11.2m) and PBT of £2.1m (2018: £2.1m). Other financial KPI's of the Company measure sales volumes, gross profit margin, cost per tonne and cash generation. Non-financial KPI's focus on the extent to which service level aspirations are met, using various measures of product quality and performance whilst also monitoring levels of complete and on-time deliveries.

This report was approved by the board and signed on its behalf.



R W Butler
Chairman

Date: 5 July 2019

CARR'S FLOUR MILLS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019

The directors present their report and the financial statements for the year ended 31 March 2019.

Results and dividends

The profit for the year, after taxation, amounted to £1.7m (2018: £1.8m).

The directors do not recommend payment of a dividend (2018: £Nil).

Directors

The directors who served during the year were:

R W Butler
M D George
D R Monroe
G Wishart
A W Burns (appointed 1 October 2018)

Matters covered in the strategic report

The business review and principal risk and uncertainties sections are not included in the Directors report as, under S414C(11), they have instead been included in the Strategic report.

Environmental matters

The Company is committed to a policy which recognises environmental issues in all aspects of its business. Responsibility for compliance with environmental best practice is vested in the directors and environmentally sensitive options are integrated into the Company's business at all levels of operation.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Future developments

There are no plans or intentions to materially alter the existing operations of the Company.

CARR'S FLOUR MILLS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and 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 UK Accounting Standards 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.


R W Butler
Chairman

Date: 5 July 2019



INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CARR'S FLOUR MILLS LIMITED

Opinion

We have audited the financial statements of Carr's Flour Mills Limited (the 'Company') for the year ended 31 March 2019, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CARR'S FLOUR MILLS LIMITED
(CONTINUED)**

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CARR'S FLOUR MILLS LIMITED
(CONTINUED)**

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Use of our report

This report is made solely to the Company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Gareth Norris FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes

Date: *5 July 2019*

CARR'S FLOUR MILLS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 £000	2018 £000
Turnover	4	91,618	81,666
Cost of sales		(79,408)	(70,477)
Gross profit		12,210	11,189
Distribution costs		(6,835)	(6,156)
Administrative expenses		(3,134)	(3,113)
Other operating income	5	56	266
Fair value movements		40	102
Operating profit	6	2,337	2,288
Interest payable and expenses	10	(211)	(180)
Profit before tax		2,126	2,108
Tax on profit	11	(450)	(332)
Profit for the financial year		1,676	1,776

There was no other comprehensive income for 2019 (2018: £Nil).

The notes on pages 12 to 31 form part of these financial statements.

CARR'S FLOUR MILLS LIMITED
REGISTERED NUMBER:00480341

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	13	22,757	23,432
Investments	14	1	1
Investment property	15	840	700
		<u>23,598</u>	<u>24,133</u>
Current assets			
Stocks	16	7,130	6,177
Debtors: amounts falling due within one year	17	13,066	12,399
Cash at bank and in hand	18	1,977	1,529
		<u>22,173</u>	<u>20,105</u>
Creditors: amounts falling due within one year	19	(32,489)	(32,485)
Net current liabilities		<u>(10,316)</u>	<u>(12,380)</u>
Total assets less current liabilities		<u>13,282</u>	<u>11,753</u>
Creditors: amounts falling due after more than one year	20	(1,198)	(1,329)
Provisions for liabilities			
Deferred tax	23	(1,341)	(1,357)
		<u>(1,341)</u>	<u>(1,357)</u>
Net assets		<u><u>10,743</u></u>	<u><u>9,067</u></u>

CARR'S FLOUR MILLS LIMITED
REGISTERED NUMBER:00480341

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2019

	Note	2019 £000	2018 £000
Capital and reserves			
Called up share capital	24	207	207
Revaluation reserve	25	642	642
Capital redemption reserve	25	207	207
Profit and loss account	25	9,687	8,011
		<u>10,743</u>	<u>9,067</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



R W Butler
Director

Date: 5 July 2019

The notes on pages 12 to 31 form part of these financial statements.

CARR'S FLOUR MILLS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019**

	Called up share capital	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 April 2018	207	207	642	8,011	9,067
Comprehensive income for the year					
Profit for the year	-	-	-	1,676	1,676
Total comprehensive income for the year	-	-	-	1,676	1,676
At 31 March 2019	207	207	642	9,687	10,743

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Called up share capital	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 April 2017	207	207	642	6,235	7,291
Comprehensive income for the year					
Profit for the year	-	-	-	1,776	1,776
Total comprehensive income for the year	-	-	-	1,776	1,776
At 31 March 2018	207	207	642	8,011	9,067

The notes on pages 12 to 31 form part of these financial statements.

CARR'S FLOUR MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1. General information

Carr's Flour Mills Limited is a private company limited by shares and incorporated in England and Wales. The details of the registered office address, principal place of business and company number can be found on the company information page.

The principal activity of the Company is the procurement of wheat and milling of flour.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Company has elected to apply all amendments to FRS 102, as set out in the triennial review published in December 2017, prior to the mandatory adoption for accounting periods beginning on or after 1 January 2019.

The financial statements are presented in Sterling (£).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Whitworths Holdings Limited as at 31 March 2019 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

CARR'S FLOUR MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.3 Going concern

Notwithstanding net current liabilities of £10.3m at the balance sheet date, these financial statements have been prepared on a going concern basis. In considering going concern, the directors review the financial information of the Company for a period of at least 12 months from the date of approval of the financial statements. Having reviewed this information, the directors believe that the Company has sufficient resources to continue in operational existence for the foreseeable future given the ongoing support of fellow group undertakings. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

CARR'S FLOUR MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Freehold land is not depreciated.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- up to 50 years
Leasehold property	- shorter of 50 years or lease term
Plant and machinery	- 4 to 15 years
Motor vehicles	- 4 to 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.6 Investment property

Investment property is carried at fair value determined annually by the directors and periodically by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the statement of comprehensive income.

2.7 Valuation of investments

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.8 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

CARR'S FLOUR MILLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

2. Accounting policies (continued)

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

CARR'S FLOUR MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.12 Financial instruments

The Company enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including forward fuel contracts and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for forward fuel contracts and foreign exchange derivatives.

2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

CARR'S FLOUR MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.14 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of comprehensive income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

2.15 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

2.16 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

CARR'S FLOUR MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.17 Pensions

Contributions payable to the defined contribution scheme are charged to the statement of comprehensive income in the year they are incurred.

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.18 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

CARR'S FLOUR MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.21 Research and development expenditure

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

CARR'S FLOUR MILLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

3.1 Critical management judgements in applying accounting policies

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimation, which have the most significant effect on the amounts recognised in the financial statements:

(a) Provision for impairment of trade debtors

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

(b) Valuation of derivative financial instruments

The fair value of derivative financial instruments is determined using market factors at the year 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.

3.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Determining net realisable value of inventories

In determining the net realisable value of inventories, management takes into account the most reliable evidence available at the dates the estimates are made.

(b) Investment property valuations

In determining the fair value of the investment property, management takes into account market data and previous external valuations at the dates the estimates are made.

CARR'S FLOUR MILLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

4. Turnover

The whole of the turnover is attributable to the procurement of wheat and milling of flour.

Analysis of turnover by country of destination:

	2019 £000	2018 £000
United Kingdom	76,344	70,348
Rest of Europe	15,274	11,318
	<u>91,618</u>	<u>81,666</u>

5. Other operating income

	2019 £000	2018 £000
Research and development credit	56	79
Sundry income	-	187
	<u>56</u>	<u>266</u>

6. Operating profit

The operating profit is stated after charging/(crediting):

	2019 £000	2018 £000
Foreign exchange losses/(gains)	61	101
Depreciation of tangible fixed assets	1,982	1,931
Profit on disposal of tangible fixed assets	(9)	(3)
Amortisation of government grants	(120)	(119)
Other operating lease rentals	395	353
	<u>395</u>	<u>353</u>

CARR'S FLOUR MILLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

7. Auditor's remuneration

	2019 £000	2018 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	30	31
Fees payable to the Company's auditor and its associates in respect of:		
Taxation compliance services	4	5
All other services	2	2

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2019 £000	2018 £000
Wages and salaries	6,083	5,945
Social security costs	631	627
Cost of defined contribution scheme	489	436
	7,203	7,008

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Sales, office and management	68	68
Manufacturing and distribution	100	98
	168	166

CARR'S FLOUR MILLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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9. Directors' remuneration

	2019	2018
	£000	£000
Directors' emoluments	422	364

The above amounts are in respect of three (2018: two) directors. The other directors are remunerated by the parent company. Accordingly, the above details include no emoluments in respect of these directors.

The highest paid director received remuneration of £238,028 (2018: £240,067).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2018: £Nil).

10. Interest payable and similar expenses

	2019	2018
	£000	£000
Bank interest payable	127	97
Finance leases and hire purchase contracts	84	83
	211	180

11. Taxation

	2019	2018
	£000	£000
Corporation tax		
Current tax on profits for the year	467	433
Adjustments in respect of previous periods	(1)	(48)
Total current tax	466	385
Deferred tax		
Origination and reversal of timing differences	(16)	(24)
Adjustment in respect of previous years	-	(29)
Total deferred tax	(16)	(53)
Taxation on profit on ordinary activities	450	332

CARR'S FLOUR MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Profit on ordinary activities before tax	2,126	2,108
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	404	401
Effects of:		
Income not taxable for tax purposes	(12)	(23)
Other differences	50	(58)
Change in tax rate	2	3
Expenses not deductible for tax purposes	6	9
Total tax charge for the year	450	332

Factors that may affect future tax charges

In the current year, the main rate of UK corporation tax was 19% (2018: 19%). A reduction in the main rate of UK corporation tax from 19% to 17% for the year beginning 1 April 2020 has been substantively enacted at the balance sheet date. Temporary differences have been measured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised.

12. Fair value movements

	2019 £000	2018 £000
Losses on fair value of foreign exchange contracts	16	13
(Gains) on revaluation of investment properties	(56)	(115)
	(40)	(102)

CARR'S FLOUR MILLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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13. Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost or valuation				
At 1 April 2018	13,757	41,952	1,369	57,078
Additions	429	811	67	1,307
Disposals	-	-	(131)	(131)
At 31 March 2019	<u>14,186</u>	<u>42,763</u>	<u>1,305</u>	<u>58,254</u>
Depreciation				
At 1 April 2018	3,473	29,048	1,125	33,646
Charge for the year on owned assets	278	1,620	84	1,982
Disposals	-	-	(131)	(131)
At 31 March 2019	<u>3,751</u>	<u>30,668</u>	<u>1,078</u>	<u>35,497</u>
Net book value				
At 31 March 2019	<u><u>10,435</u></u>	<u><u>12,095</u></u>	<u><u>227</u></u>	<u><u>22,757</u></u>
At 31 March 2018	<u><u>10,284</u></u>	<u><u>12,904</u></u>	<u><u>244</u></u>	<u><u>23,432</u></u>

Included in the above amounts for plant and machinery and motor vehicles are assets held under equipment finance or finance leases with a net book value of £64,574 (2018: £78,783).

The Company's bankers held legal charges over certain properties at the year end.

Freehold land of £482,000 (2018: £482,000) is not depreciated.

CARR'S FLOUR MILLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

14. Fixed asset investments

	Other investments £000
At 1 April 2018	<u>1</u>
At 31 March 2019	<u>1</u>
At 31 March 2018	<u>1</u>

15. Investment property

	Freehold investment property £000
Valuation	
At 1 April 2018	700
Additions at cost	84
Surplus on revaluation	56
At 31 March 2019	<u>840</u>

The fair value as at 31 March 2019 was determined by directors based on market information and their knowledge of the location and category of the investment properties.

CARR'S FLOUR MILLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

16. Stocks

	2019	2018
	£000	£000
Raw materials and consumables	6,140	5,101
Finished goods and goods for resale	990	1,076
	7,130	6,177

17. Debtors

	2019	2018
	£000	£000
Trade debtors	12,394	11,741
Other debtors	271	320
Prepayments and accrued income	401	338
	13,066	12,399

18. Cash and cash equivalents

	2019	2018
	£000	£000
Cash at bank and in hand	1,977	1,529
Less: Bank facilities	(455)	(1,546)
	1,522	(17)

CARR'S FLOUR MILLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

19. Creditors: Amounts falling due within one year

	2019	2018
	£000	£000
Bank facilities	455	1,546
Trade creditors	9,256	7,128
Amounts owed to group undertakings	21,773	22,964
Corporation tax	118	24
Other taxation and social security	181	170
Obligations under equipment finance loans	15	17
Other creditors	71	24
Accruals and deferred income	567	575
Financial instruments	53	37
	<u>32,489</u>	<u>32,485</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Obligations under equipment finance loans are secured on the assets to which they relate and carry a fixed interest rate of 2.15%.

The bank facility is secured against trade debtors and carries interest at the rate of 1.5% above the base rate.

20. Creditors: Amounts falling due after more than one year

	2019	2018
	£000	£000
Obligations under equipment finance loans	47	59
Deferred income (see note 22)	1,151	1,270
	<u>1,198</u>	<u>1,329</u>

Obligations under equipment finance loans are secured against the assets to which they relate and carry a fixed interest rate of 2.15%.

CARR'S FLOUR MILLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

21. Equipment finance loans

Minimum lease payments under hire purchase fall due as follows:

	2019	2018
	£000	£000
Due within one year	15	17
Due between one and two years	15	17
Due between two and five years	32	42
	<u>62</u>	<u>76</u>

22. Deferred income

	2019	2018
	£000	£000
Grants		
Brought forward	1,390	1,509
Amortisation for the year	(120)	(119)
	<u>1,270</u>	<u>1,390</u>
Carried forward		
	<u>1,270</u>	<u>1,390</u>
	2019	2018
	£000	£000
Due within one year	119	120
Due after more than one year	1,151	1,270
	<u>1,270</u>	<u>1,390</u>

23. Deferred taxation

	2019	2018
	£000	£000
At beginning of year	(1,357)	(1,410)
Credited to profit or loss	16	53
	<u>(1,341)</u>	<u>(1,357)</u>
At end of year		

CARR'S FLOUR MILLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

23. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	<u>(1,341)</u>	<u>(1,357)</u>

24. Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
207,307 (2018: 207,307) Ordinary shares shares of £1 each	<u>207</u>	<u>207</u>

25. Reserves

Revaluation reserve

This reserve represents the surplus or deficit arising on the revaluation of assets prior to the transition to FRS 102.

Capital redemption reserve

This reserve includes reserves previously used to redeem share capital.

Profit and loss account

This reserve includes all current and prior periods retained profits and losses.

26. Contingent liabilities

The Company is party to an unlimited bank guarantee with its ultimate parent company and certain fellow subsidiary companies. There is a fixed and floating charge over all the assets of the Company which supports the guarantee. Total net debt across all group companies amounts to £56.8m (2018: 40.9m). In the opinion of the directors no loss is expected to arise in respect of these contingencies.

27. Capital commitments

At 31 March 2019 the Company had capital commitments as follows:

	2019 £000	2018 £000
Contracted for but not provided in these financial statements	<u>119</u>	<u>119</u>

CARR'S FLOUR MILLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

28. Commitments under operating leases

At 31 March 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019	2018
	£000	£000
Not later than 1 year	482	333
Later than 1 year and not later than 5 years	1,147	613
	1,629	946

29. Other financial commitments

The Company has unfulfilled purchase commitments for wheat totalling £24.7m (2018: £27.1m). These commitments are for own use purchases rather than commodity trading purposes.

30. Retirement benefits

The company participates in a group defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £489k (2018: £436k). Contributions totalling £50k (2018: £25k) were payable to the fund at the balance sheet date and are included in creditors.

31. Controlling party

The Company's immediate and ultimate parent undertaking is Whitworths Holdings Limited, a company registered in England and Wales at the same registered office address as that of the Company. The consolidated financial statements of the group are available to the public from the Registrar of Companies, Companies House, Cardiff, CF14 3UZ.

M F George is the ultimate controlling party by virtue of his majority shareholding in Whitworths Holdings Limited.