

Carr's Flour Mills Limited
Annual report
for the year ended 30 August 2003

Registered Number 480341



Carr's Flour Mills Limited

Annual report

for the year ended 30 August 2003

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Carr's Flour Mills Limited

Directors' report for the year ended 30 August 2003

The directors present their report and the audited financial statements of the company for the year ended 30 August 2003.

Principal activity

The principal activity of the company is that of flour milling.

Review of business and future developments

The directors are satisfied with the results for the year and the prospects for the future.

Results and dividends

The result for the year is set out on page 4.

The directors have declared an ordinary dividend payable in respect of the year ended 30 August 2003 of £331,000 (2002: £439,000).

Directors and their interests

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

C N C Holmes (Chairman)

R C Wood

D E Lines

D Monroe

R Mullen

R Mullen retires by rotation, and being eligible, offers himself for re-election.

C N C Holmes and R C Wood are directors of the ultimate parent company, Carr's Milling Industries PLC, and their interests in the shares of that company are shown in the annual report of that company.

D E Lines held 14,115 ordinary shares of 25p each in the ultimate parent company at 30 August 2003 (2002: 14,115 shares).

Other than as noted above, none of the directors had any interest in the shares of the company, or any other company within the Carr's Milling Industries PLC group.

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 year represents 27 days (2002: 27 days) of average purchases for goods and services made during the year.

Carr's Flour Mills Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 August 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership ("LLP") from 1 January 2003, PricewaterhouseCoopers resigned on 14 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

On behalf of the Board



R C Wood
Director

10 November 2003

Carr's Flour Mills Limited

Independent auditors' report to the members of Carr's Flour Mills Limited

We have audited the financial statements which comprise the profit and loss account, the note of historical cost profits and losses, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 August 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Newcastle upon Tyne

10 November 2003

Carr's Flour Mills Limited

Profit and loss account for the year ended 30 August 2003

	Note	2003 £	2002 £
Turnover - continuing operations	2	19,472,352	19,737,390
Cost of sales		(16,306,454)	(16,367,703)
Gross profit		3,165,898	3,369,687
Distribution costs		(1,312,943)	(1,315,683)
Administrative expenses		(1,255,871)	(1,355,571)
Operating profit - continuing operations	3	597,084	698,433
Interest receivable and similar income	6	23,256	26,379
Interest payable and similar charges	7	(257,976)	(74,027)
Profit on ordinary activities before taxation		362,364	650,785
Tax on profit on ordinary activities	8	(68,270)	(189,174)
Profit for the financial year		294,094	461,611
Dividends	9	(331,000)	(439,000)
(Loss)/retained profit for the financial year	20	(36,906)	22,611

The company has no recognised gains and losses, other than the profit above, and therefore no separate statement of total recognised gains and losses has been presented.

Carr's Flour Mills Limited

Note of historical cost profits and losses for the year ended 30 August 2003

	2003	2002
	£	£
Reported profit on ordinary activities before taxation	362,364	650,785
Difference between historical cost depreciation charge and actual charge on revalued amount	12,238	12,238
Historical cost profit on ordinary activities before taxation	374,602	663,023
Historical cost (loss)/profit for the year after taxation and dividends	(24,668)	34,849

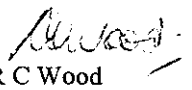
Carr's Flour Mills Limited

Balance sheet as at 30 August 2003

	Note	2003 £	2002 £
Fixed assets			
Tangible assets	10	8,059,941	8,361,556
Investments	11	1,466	2
		8,061,407	8,361,558
Current assets			
Stocks	12	1,266,696	1,203,493
Debtors	13	3,415,765	2,883,011
Cash at bank and in hand		39,619	31,831
		4,722,080	4,118,335
Creditors - Amounts falling due within one year	14	(6,114,742)	(5,819,640)
Net current liabilities		(1,392,662)	(1,701,305)
Total assets less current liabilities		6,668,745	6,660,253
Creditors - Amounts falling due after more than one year	15	(462,937)	(517,187)
Provisions for liabilities and charges	17	(1,088,936)	(1,120,888)
Deferred income	18	(303,253)	(171,653)
Net assets		4,813,619	4,850,525
Capital and reserves			
Called up share capital	19	414,593	414,593
Revaluation reserve	20	974,144	986,382
Profit and loss account	20	3,424,882	3,449,550
Total shareholders' funds	21	4,813,619	4,850,525
Analysis of shareholders' funds			
Equity		4,606,333	4,643,239
Non-equity		207,286	207,286
		4,813,619	4,850,525

The financial statements on pages 4 to 20 were approved by the board of directors on 10 November 2003 and were signed on its behalf by:


C N C Holmes
Director


R C Wood
Director

Carr's Flour Mills Limited

Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

Turnover

Turnover represents the value of goods despatched to customers during the year net of VAT.

Tangible fixed assets and depreciation

Depreciation is calculated to write off the cost or valuation of all tangible fixed assets, other than freehold land and assets in the course of construction which are not depreciated, in equal annual instalments over their estimated useful lives at the following rates:

Freehold and long leasehold properties	2%
Plant and equipment	5% - 20%
Motor vehicles	10% - 25%

Revaluation of land and buildings

Prior to 2000, some freehold and leasehold properties were revalued every few years. On adoption of FRS 15 in 2000, the company has followed the transitional rules to retain the book value of land and buildings.

Transfers are made to retained profits each year in order to amortise surpluses over the remaining useful lives of the properties. On disposal the profit or loss is calculated by reference to the net book value and any unamortised revaluation surplus is transferred from revaluation reserves to retained profit.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes production overheads where appropriate.

Government grants

Grants received in respect of capital expenditure are released to the profit and loss account in equal annual instalments over the estimated useful lives of the assets concerned.

Leases

Assets obtained under finance lease contracts are capitalised in the balance sheet and depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the contract and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating lease are charged to the profit and loss account on a straight line basis over the term of the lease.

Carr's Flour Mills Limited

Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax is not provided on timing differences arising from revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension costs

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services. Employees are members of the Carr's Milling Industries Pension Scheme 1993. Details of this scheme are disclosed in the parent company's financial statements.

Foreign currency transactions

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are charged to the profit and loss account.

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Notes to the financial statements for the year ended 30 August 2003

1 Cash flow statement and related party transactions

The company is a wholly-owned 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 a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Carr's Milling Industries PLC group or investees of the Carr's Milling Industries PLC group.

2 Segmental reporting

All of the activities of the company fall into one class of business, namely that of flour milling. All activities originated in the United Kingdom. Turnover by destination is as follows:

	2003	2002
	£	£
United Kingdom	18,811,689	19,226,929
Rest of Europe	660,663	510,461
	19,472,352	19,737,390

Carr's Flour Mills Limited

3 Operating profit

	2003	2002
	£	£
Operating profit is stated after charging/(crediting):		
Wages and salaries	2,152,014	1,978,357
Social security costs	195,268	177,878
Other pension costs	168,158	115,214
Staff costs	2,515,440	2,271,449
Amortisation of grants	(57,232)	(47,791)
Rent receivable	(18)	(18)
Profit on disposal of tangible fixed assets	(7,288)	(1,765)
Depreciation of tangible fixed assets:		
- owned assets	762,648	700,549
- leased assets	110,775	79,823
Operating lease charges:		
- plant and machinery	36,258	26,634
- other	1,931	3,003
Auditors' remuneration:		
- audit services	15,007	14,521

4 Directors' emoluments

	2003	2002
	£	£
Aggregate emoluments	174,435	191,014

Retirement benefits are accruing to one (2002: one) director under a defined benefit pension scheme.

Carr's Flour Mills Limited

5 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

By activity	2003	2002
Sales, office and management	41	37
Manufacturing and distribution	59	56
	100	93

6 Interest receivable and similar income

	2003	2002
	£	£
Bank interest	8,940	1,474
Interest receivable on trade loans	511	905
Interest receivable from group undertakings	13,805	24,000
	23,256	26,379

7 Interest payable and similar charges

	2003	2002
	£	£
Interest payable on overdrafts and bank borrowings	49,995	24,443
Finance leases	43,344	49,584
Interest payable to group undertakings	164,637	-
	257,976	74,027

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8 Tax on profit on ordinary activities

(a) Analysis of charge in the year

	2003 £	2002 £
Current tax:		
UK corporation tax	134,384	172,248
Adjustment in respect of previous periods	(34,162)	(101,462)
Total current tax	100,222	70,786
Deferred tax:		
Origination and reversal of timing differences	(31,952)	118,388
Tax on profit on ordinary activities	68,270	189,174

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2002: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before tax	362,364	650,785
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	108,709	195,236
<i>Effects of:</i>		
Expenses not deductible for tax purposes	17,305	15,529
Capital allowances in excess of depreciation	12,198	(38,517)
Short term timing differences	(3,828)	-
Adjustments to tax charge in respect of previous periods	(34,162)	(101,462)
Current tax charge for the year	100,222	70,786

(c) Factors that may affect future tax charges

No provision has been made for additional taxation which would accrue if the land and buildings were disposed of at their revalued amount.

Carr's Flour Mills Limited

9 Dividends

	2003	2002
	£	£
Dividend proposed on ordinary shares at £1.597 (2002: £2.118) per £1 share	331,000	439,000

The parent company has waived its rights to the preference dividend.

10 Tangible fixed assets

	Land and buildings	Plant and equipment	Motor vehicles	Assets in course of construction	Total
	£	£	£	£	£
Cost or valuation					
At 1 September 2002	2,294,335	12,582,978	710,501	299,628	15,887,442
Additions	88,216	169,339	217,791	108,374	583,720
Reclassifications	279,190	20,438	-	(299,628)	-
Disposals	-	-	(82,938)	-	(82,938)
At 30 August 2003	2,661,741	12,772,755	845,354	108,374	16,388,224
Depreciation					
At 1 September 2002	260,818	6,862,203	402,865	-	7,525,886
Charge for the year	86,621	676,419	110,383	-	873,423
Disposals	-	-	(71,026)	-	(71,026)
At 30 August 2003	347,439	7,538,622	442,222	-	8,328,283
Net book amount					
At 30 August 2003	2,314,302	5,234,133	403,132	108,374	8,059,941
At 31 August 2002	2,033,517	5,720,775	307,636	299,628	8,361,556
Cost or valuation at 30 August 2003 is represented by:					
Valuation in 1995	1,626,000	-	-	-	1,626,000
Cost	1,035,741	12,772,755	845,354	108,374	14,762,224
	2,661,741	12,772,755	845,354	108,374	16,388,224

Land and buildings were revalued on the basis of an open market valuation for existing use at 31 August 1995 by Carigiet and Cowen, Chartered Surveyors. The land and buildings were revalued on the basis of depreciated replacement cost by G F Singleton and Company, Chartered Surveyors, at 31 August 1995.

Carr's Flour Mills Limited

If land and buildings had not been revalued they would have been included at the following amounts:

	2003 £	2002 £
Cost	2,179,431	1,812,025
Aggregate depreciation	(839,273)	(764,890)
Net book amount	1,340,158	1,047,135

Assets held under hire purchase contracts are capitalised as follows:

	2003			2002		
	Plant and equipment	Motor vehicles	Total	Plant and equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost	750,690	328,831	1,079,521	750,690	205,884	956,574
Accumulated depreciation	(106,348)	(121,619)	(227,967)	(68,814)	(75,188)	(144,002)
Net book amount	644,342	207,212	851,554	681,876	130,696	812,572

The net book amount of land and buildings comprises:

	2003 £	2002 £
Freehold	2,300,862	2,019,757
Long leaseholds	13,440	13,760
	2,314,302	2,033,517

Carr's Flour Mills Limited

11 Fixed asset investments

	Investment in subsidiary undertakings	Other investments	Total
	£	£	£
Cost			
At 1 September 2002	2	-	2
Additions	-	1,464	1,464
At 30 August 2003	2	1,464	1,466

Details of the sole subsidiary, of which the company owns 100% of the ordinary share capital, are as follows:

Name	Country of incorporation	Activity
George Shackleton & Sons Limited	Republic of Ireland	Suppliers of flour and food ingredients

Consolidated accounts have not been prepared as the company is exempt from preparing and delivering to the Registrar of Companies consolidated financial statements. This is because it is included in the consolidated financial statements of a larger group drawn up to the same date, by a parent established in the EEA. See note 26 for further details.

12 Stocks

	2003	2002
	£	£
Raw materials and consumables	985,133	976,472
Work in progress	79,899	39,399
Finished goods and goods for resale	201,664	187,622
	1,266,696	1,203,493

Carr's Flour Mills Limited

13 Debtors

	2003	2002
	£	£
Amounts receivable within one year		
Trade debtors	2,650,932	2,286,205
Amounts owed by group undertakings	618,564	397,794
Other debtors	69,611	117,483
Prepayments and accrued income	68,532	64,529
	3,407,639	2,866,011
Amounts receivable after one year		
Trade loans	8,126	17,000
	3,415,765	2,883,011

Amounts owed by group undertakings are unsecured and have no fixed repayment date.

14 Creditors - Amounts falling due within one year

	2003	2002
	£	£
Bank overdrafts	598,033	17,280
Finance leases (see note 16)	182,424	149,144
Trade creditors	1,259,001	1,308,169
Amounts due to group undertakings	3,273,553	3,245,170
Corporation tax	124,051	172,248
Other taxation and social security	191,583	194,702
Other creditors	91,065	60,497
Accruals and deferred income	64,032	198,706
Proposed dividend	331,000	439,000
Group relief payable	-	34,724
	6,114,742	5,819,640

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

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15 Creditors - Amounts falling due after more than one year

	2003	2002
	£	£
Finance leases (see note 16)	462,937	517,187

16 Borrowings

Finance leases

Future minimum payments under finance leases are as follows:

	2003	2002
	£	£
Within one year	182,424	149,144
In more than one year, but not more than five years	462,937	517,187
	645,361	666,331

17 Provisions for liabilities and charges

	Deferred tax provision
	£
At 1 September 2002	1,120,888
Credited to the profit and loss account	(31,952)
At 30 August 2003	1,088,936

	2003	2002
	£	£
Deferred tax liability comprises:		
Accelerated capital allowances	1,089,428	1,127,746
Other timing differences	(492)	(6,858)
	1,088,936	1,120,888

Carr's Flour Mills Limited

18 Deferred income

	Grants £
At 1 September 2002	171,653
Additions	188,832
Amortisation for the year	(57,232)
At 30 August 2003	303,253

19 Called up share capital

	2003 £	2002 £
Authorised		
250,000 ordinary shares of £1 each	250,000	250,000
250,000 3½% redeemable preference shares of £1 each	250,000	250,000
	500,000	500,000
Allotted and fully paid		
207,307 ordinary shares of £1 each	207,307	207,307
207,286 3½% redeemable preference shares of £1 each	207,286	207,286
	414,593	414,593

The preference shares may be redeemed at any time at the company's option. There is no premium payable on redemption. The shares have the same voting rights as the ordinary shares and have a preferential right to return of capital on a winding up.

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20 Reserves

	Revaluation reserve £	Profit and loss account £
At 1 September 2002	986,382	3,449,550
Loss for the financial year	-	(36,906)
Transfer of difference between depreciation based on historical costs and on revalued amounts	(12,238)	12,238
At 30 August 2003	974,144	3,424,882

21 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit for the financial year	294,094	461,611
Dividend	(331,000)	(439,000)
Net (reduction)/addition to shareholders' funds	(36,906)	22,611
Opening shareholders' funds	4,850,525	4,827,914
Closing shareholders' funds	4,813,619	4,850,525

22 Pension commitments

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 investment 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 2003. Particulars of the scheme are contained in the financial statements of Carr's Milling Industries PLC.

The total pension cost for the year charged to the profit and loss account is shown in note 3. Contributions totalling £1,639 (2002: £7,315) were payable to the fund at the year end and are included in creditors.

Carr's Flour Mills Limited

Transitional arrangements apply in respect of the new financial reporting standard on Retirement Benefits, FRS 17. The disclosures required by FRS 17 in respect of the group scheme are provided in the Carr's Milling Industries PLC accounts. This includes details of the pension deficit of £10.8 million (2002: £7.6 million) on the group scheme at 30 August 2003. This was calculated in accordance with the pension scheme requirements of FRS 17 and reflected pension scheme assets of £21.3 million (2002: £19.8 million) and £32.1 million (2002: £27.4 million) of pension scheme liabilities. The Group increased the employer contribution rate in January 2003 following the triennial valuation of the scheme.

It is not possible to identify Carr's Flour Mills Limited's underlying share of the pension scheme assets and liabilities. Common contribution rates apply across the Carr's Milling Industries PLC group as a whole and a number of company reorganisations have occurred. In these circumstances FRS 17 requires the company to adopt a defined contribution treatment in its financial statements and this will be done upon the adoption of FRS 17.

23 Financial commitments

At 30 August 2003 the company had annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings		Other	
	2003	2002	2003	2002
	£	£	£	£
Within one year	-	-	5,061	48
Within two and five years	-	-	27,693	12,277
After five years	9,035	9,035	-	12,325
	9,035	9,035	32,754	24,650

24 Contingent liabilities

The company has given an unlimited cross guarantee with regard to all amounts owing to Clydesdale Bank PLC by its parent company and fellow subsidiary companies. At 30 August 2003 the aggregate amount outstanding under these group banking arrangements was £1,516,807 (2002: £2,824,438).

25 Related party transactions

The company has taken advantage of the exemptions available under Financial Reporting Standard 8 and has not disclosed transactions with companies that are part of the Carr's Milling Industries PLC group.

26 Ultimate parent undertaking

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.