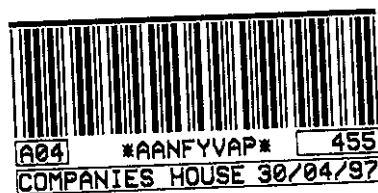


Carr's Flour Mills Limited

Annual report

for the year ended 31 August 1996

Registered no: 480341



Carr's Flour Mills Limited

Annual report for the year ended 31 August 1996

	Pages
Directors' report	1 - 2
Report of the auditors	3
Profit and loss account	4
Statement of total recognised gains and losses	5
Balance sheet	6
Notes to the financial statements	7 - 17

Directors' report for the year ended 31 August 1996

The directors present their report and the audited financial statements for the year ended 31 August 1996.

Principal activity

The principal activity of the company continued to be that of flour milling.

Review of business and future developments

The profit for the year after taxation amounted to £653,678. The directors are satisfied with the results for the year and the prospects for the future.

Dividends

The directors have declared the following dividend in respect of the year ended 31 August 1996.

Ordinary dividend payable:	£
	<u>660,000</u>

Creditors' terms

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.

Directors and directors' interests

The directors who held office during the year were:

I C Carr	(Chairman)
J E Tudor	
R C Wood	
D E Lines	
J Holmes	
C N C Holmes	

D E Lines and J Holmes retire by rotation and, being eligible, offer themselves for re-election.

I C Carr, J E Tudor, R C Wood and C N C Holmes are directors of the ultimate parent company and so their interests are shown in the financial statements of that company.

D E Lines held 250 ordinary shares of £1 each in the ultimate parent company at 31 August 1996 and 3 September 1995.

Other than the above, no director has had any interest in the shares of the company or any other subsidiary of the company's ultimate parent company.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 August 1996. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board



R C Wood
Secretary
Stanwix
Carlisle

6 December 1996

**Report of the auditors to the members of
Carr's Flour Mills Limited**

We have audited the financial statements on pages 4 to 17.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 31 August 1996 and of its profit and total recognised gains for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
Leeds
6 December 1996

**Profit and loss account
for the year ended 31 August 1996**

	Notes	1996 £	1995 £
Turnover	2	18,234,430	17,991,183
Cost of sales		(15,773,070)	(15,553,310)
Gross profit		2,461,360	2,437,873
Other operating expenses	3	(1,625,728)	(1,608,487)
Operating profit		835,632	829,386
Interest receivable	6	221,707	230,287
Interest payable	7	(51,268)	(19,796)
Profit on ordinary activities before taxation	8	1,006,071	1,039,877
Taxation	9	(352,393)	(334,500)
Profit on ordinary activities after taxation		653,678	705,377
Dividends	10	(660,000)	(700,000)
(Deficit) / retained profit for the year	22	(6,322)	5,377

All items dealt with in arriving at operating profit for 1996 and 1995 relate to continuing operations.

Statement of total recognised gains and losses

	1996 £	1995 £
Profit for the financial year	653,678	705,377
Unrealised surplus on revaluation of properties	-	324,429
	<hr/>	<hr/>
Total recognised gains and losses	653,678	1,029,806
	<hr/>	<hr/>

Note of historical cost profits and losses

	1996 £	1995 £
Reported profit on ordinary activities before tax	1,006,071	1,039,877
Difference between historical cost depreciation charge and actual charge on revalued amount of fixed assets	8,693	5,543
	<hr/>	<hr/>
Historical cost profit on ordinary activities before tax	1,014,764	1,045,420
	<hr/>	<hr/>
Historical cost profit retained after taxation and dividends	2,371	10,920
	<hr/>	<hr/>

Balance sheet at 31 August 1996

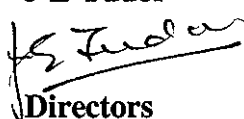
	Notes	1996 £	1995 £
Fixed assets			
Tangible assets	11	<u>6,104,552</u>	<u>5,282,273</u>
Current assets			
Stocks	12	934,498	804,790
Debtors: amounts falling due within one year	13	7,632,874	7,889,789
Debtors: amounts falling due after more than one year	14	49,750	45,632
Cash at bank and in hand		90,491	884,968
		<u>8,707,613</u>	<u>9,625,179</u>
Creditors: amounts falling due within one year	15	<u>(7,130,182)</u>	<u>(7,285,647)</u>
Net current assets		<u>1,577,431</u>	<u>2,339,532</u>
Total assets less current liabilities		<u>7,681,983</u>	<u>7,621,805</u>
Creditors: amounts falling due after more than one year	16	(169,873)	(128,605)
Deferred taxation	17	(967,000)	(894,500)
Government grants	18	(459,444)	(506,712)
		<u>(1,596,317)</u>	<u>(1,529,817)</u>
Net assets		<u>6,085,666</u>	<u>6,091,988</u>
Capital and reserves			
Called-up share capital	20	414,593	414,593
Revaluation reserve	21	1,211,298	1,211,298
Profit and loss account	21	4,459,775	4,466,097
Equity shareholders' funds		<u>5,878,380</u>	<u>5,884,702</u>
Non equity shareholders' funds		<u>207,286</u>	<u>207,286</u>
Total shareholders' funds	22	<u>6,085,666</u>	<u>6,091,988</u>

The financial statements on pages 4 to 17 were approved by the board of directors on 6 December 1996 and were signed on its behalf by:

R C Wood



J E Tudor



Directors

Notes to the financial statements for the year ended 31 August 1996

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention, as modified by the revaluation of certain land and buildings.

Turnover

Turnover represents the value of goods invoiced to customers during the year less returns and excluding VAT.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs.

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

Freehold and long leasehold properties	2% - 20%
Short leasehold properties	over the period of the lease
Plant and equipment	5% - 20%
Motor vehicles	20% - 25%

Depreciation on all plant and motor vehicles whether leased or owned is charged over the life of the asset commencing in the month the asset is brought into production or use.

On land and buildings a full year's depreciation is provided in the financial year of acquisition and none in the year of disposal.

Stocks and work in progress

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

Deferred taxation

Deferred taxation is provided under the liability method to take account of all timing differences between profits as stated in the financial statements and as computed for tax purposes to the extent that it is considered with reasonable probability that such a liability will crystallise.

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.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amounts capitalised are the present values of the minimum lease payments. The corresponding commitments are shown as obligations under finance leases.

Depreciation on the relevant assets is charged to the profit and loss account in accordance with the company's normal depreciation rate.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account using the actuarial method.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account as incurred.

Pensions

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.

Cash flows

The company is a wholly owned subsidiary of Carr's Milling Industries PLC and cash flows of the company are included in the consolidated group cash flow statement of Carr's Milling Industries PLC. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

2 Segmental analysis

In the opinion of the directors all the activities of the company fall into one class of business, namely that of flour milling. Turnover, by destination, is as follows:

	1996 £	1995 £
United Kingdom	17,267,738	17,064,464
Eire	966,692	926,719
	<u>18,234,430</u>	<u>17,991,183</u>

3 Other operating expenses

	1996 £	1995 £
Continuing operations		
Distribution costs	692,939	692,723
Administration costs	932,789	915,764
	<u>1,625,728</u>	<u>1,608,487</u>

4 Directors' emoluments

The remuneration paid to the directors of the company was:

	1996 £	1995 £
Emoluments (including pension contributions and benefits in kind)	<u>198,564</u>	<u>190,814</u>

Emoluments (excluding pension contributions) include amounts paid to

	1996 £	1995 £
The chairman	<u>Nil</u>	<u>Nil</u>
The highest-paid director	<u>95,886</u>	<u>93,167</u>

The number of directors (including the chairman and the highest-paid director) who received emoluments (excluding pension contributions) in the following ranges was:

	1996 Number	1995 Number
£Nil	3	3
£35,001 to £40,000	-	1
£40,001 to £45,000	1	1
£45,001 to £50,000	1	-
£90,001 to £95,000	-	1
£95,001 to £100,000	1	-
	<u>==</u>	<u>==</u>

5 Employee information

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

	1996 Number	1995 Number
By product group		
Sales, office and management	34	34
Manufacturing and distribution	47	47
	<u>81</u>	<u>81</u>
	1996 £	1995 £
Staff costs (for the above persons):		
Wages and salaries	1,401,258	1,415,293
Social security costs	128,534	123,475
Other pension costs (see note 19)	68,593	67,054
	<u>1,598,385</u>	<u>1,605,822</u>

6 Interest receivable

	1996 £	1995 £
On trade loans	3,353	2,440
On group loans	212,487	213,514
Other	5,867	14,333
	<u>221,707</u>	<u>230,287</u>

7 Interest payable

	1996 £	1995 £
Bank overdraft	35,302	11,195
On finance leases	15,927	8,601
Other	39	-
	<u>51,268</u>	<u>19,796</u>

8 Profit on ordinary activities before taxation

	1996 £	1995 £
Profit on ordinary activities before taxation is stated after crediting:		
Amortisation of government grants	47,268	47,268
Rent receivable	6,003	6,000
Profit on disposal of tangible fixed assets	-	1,148
	<u> </u>	<u> </u>
And after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	391,130	285,883
Tangible fixed assets held under finance leases	87,840	35,187
Auditors' remuneration for audit	12,000	11,300
Hire of plant and equipment - operating leases	10,334	8,467
Hire of other assets - operating leases	31,659	47,235
	<u> </u>	<u> </u>

9 Taxation

	1996 £	1995 £
United Kingdom corporation tax at 33 % (1995: 33 %):		
Current	285,000	217,928
Group relief	-	132,072
Deferred	52,500	(15,500)
(Over) / under provision in respect of prior years:		
Group relief	(30,000)	-
Current	24,893	-
Deferred	20,000	-
	<u> </u>	<u> </u>
	352,393	334,500
	<u> </u>	<u> </u>

10 Dividends

	1996 £	1995 £
Dividends on equity shares:		
Ordinary - Final proposed of £3.18 per share (1995:£3.38)	660,000	700,000
	<u> </u>	<u> </u>

11 Tangible fixed assets

	Land and buildings	Plant & equipment	Motor vehicles	Assets in course of construction	Total
	£	£	£	£	£
Cost or valuation					
At 3 September 1995	1,686,000	6,971,124	310,453	44,898	9,012,475
Additions	23,386	1,028,758	107,251	141,854	1,301,249
Disposals	-	(13,745)	-	-	(13,745)
Reclassification	23,171	21,727	-	(44,898)	-
At 31 August 1996	1,732,557	8,007,864	417,704	141,854	10,299,979
Depreciation					
At 3 September 1995	-	3,542,162	188,040	-	3,730,202
Charge for the year	31,811	379,747	67,412	-	478,970
Eliminated in respect of disposals	-	(13,745)	-	-	(13,745)
At 31 August 1996	31,811	3,908,164	255,452	-	4,195,427
Net book value at 31 August 1996	1,700,746	4,099,700	162,252	141,854	6,104,552
Net book value at 3 September 1995	1,686,000	3,428,962	122,413	44,898	5,282,273
Cost or valuation at 31 August 1996 is represented by:					
Valuation in 1995	1,686,000	-	-	-	1,686,000
Cost	46,557	8,007,864	417,704	141,854	8,613,979
	1,732,557	8,007,864	417,704	141,854	10,299,979

Land and buildings, with the exception of the mill were revalued at open market value for existing use at 31 August 1995 by Carigiet Cowen, Chartered Surveyors. The mill at Silloth-on-Solway was revalued on the basis of depreciated replacement cost by G.F.Singleton and Company, Chartered Surveyors, at 31 August 1995.

The net book value of tangible fixed assets includes an amount of £202,196 (1995: £174,053) in respect of assets held under finance leases.

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

	1996 £	1995 £
Cost	1,170,243	1,123,686
Aggregate depreciation based on cost	560,633	537,515
Land and buildings at net book value comprise:		
Freeholds	1,685,066	1,670,000
Long leaseholds	15,680	16,000
	1,700,746	1,686,000

12 Stocks

	1996 £	1995 £
Raw materials and consumables	746,416	632,630
Work in progress	90,921	75,780
Finished goods and goods for resale	97,161	96,380
	<u>934,498</u>	<u>804,790</u>

13 Debtors: amounts falling due within one year

	1996 £	1995 £
Trade debtors	1,544,417	1,660,562
Amounts owed by group undertakings	5,932,498	6,103,157
Other debtors	136,231	85,432
Prepayments and accrued income	19,728	40,638
	<u>7,632,874</u>	<u>7,889,789</u>

14 Debtors: amounts falling due after more than one year

	1996 £	1995 £
Trade loans	<u>49,750</u>	<u>45,632</u>

15 Creditors: amounts falling due within one year

	1996 £	1995 £
Obligations under finance leases	117,292	50,196
Trade creditors	807,313	657,635
Amounts owed to parent company	4,597,871	4,627,871
Amounts owed to fellow subsidiary undertakings	287,803	489,592
Corporation tax	290,844	224,827
Group taxation relief payable	-	132,015
Other taxation and social security payable	99,776	110,830
Other creditors	163,410	171,091
Accruals and deferred income	105,873	121,590
Dividend payable	660,000	700,000
	<u>7,130,182</u>	<u>7,285,647</u>

16 Creditors: amounts falling due after more one than year

	1996 £	1995 £
Obligations under finance leases	<u>169,873</u>	<u>128,605</u>

The obligations under finance leases are repayable as follows:

In one year or less	117,292	50,196
Between one and two years	101,220	58,810
Between two and five years	<u>68,653</u>	<u>69,795</u>
	<u>287,165</u>	<u>178,801</u>

17 Deferred taxation

Deferred taxation provided in the financial statements is as follows:

	Amount provided 1996 £	1995 £
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	996,000	923,500
Other	<u>(29,000)</u>	<u>(29,000)</u>
	<u>967,000</u>	<u>894,500</u>

No provision has been made for additional taxation which would accrue if the land and buildings were disposed of at their revalued amount. The liability is estimated at £250,000 (1995: £223,000). Full provision has been made for all other aspects of deferred taxation.

The movement in the provision for deferred taxation is as follows:

	£
At 3 September 1995	894,500
Profit and loss account	<u>72,500</u>
At 31 August 1996	<u>967,000</u>

18 Government grants

	£
At 3 September 1995	506,712
Amortisation in the year	(47,268)
	<hr/>
At 31 August 1996	459,444
	<hr/> <hr/>

19 Pension obligations

The company participates in a group pension scheme operated by Carr's Milling Industries PLC. The pension scheme is of the defined benefit type and its assets are held in a separate trustee administered fund. The fund 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 1995. Particulars of the valuation are contained in the financial statements of Carr's Milling Industries PLC.

The company also participates in a defined contribution pension scheme. The assets are held separately from those of the group and invested with an insurance company. The pension cost charge represents contributions payable by the company to the fund and amounted to £5,019 (1995: £4,914). Contributions totalling £303 (1995: £280) were payable to the fund at the year end and are included in creditors.

The total pension cost for the year charged to the profit and loss account of £68,593 (1995: £67,054) is shown in note 5.

20 Called-up share capital

	1996 £	1995 £
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
	<hr/>	<hr/>
	500,000	500,000
	<hr/> <hr/>	<hr/> <hr/>
Allotted, called-up 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
	<hr/>	<hr/>
	414,593	414,593
	<hr/> <hr/>	<hr/> <hr/>

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.

21 Reserves

	Revaluation reserve £	Profit and loss account £
At 3 September 1995	1,211,298	4,466,097
Deficit for the year	-	(6,322)
At 31 August 1996	<u>1,211,298</u>	<u>4,459,775</u>

22 Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Opening shareholders' funds	6,091,988	5,762,132
(Deficit) / retained profit for the year	(6,322)	5,377
Revaluation surplus in the year	-	324,479
Closing shareholders' funds	<u>6,085,666</u>	<u>6,091,988</u>

23 Capital commitments

	1996 £	1995 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>3,000</u>	<u>70,796</u>

24 Financial commitments

At 31 August 1996, the company had annual commitments under non-cancellable operating leases as follows:

	1996 Land and Buildings £	1996 Other £	1995 Land and Buildings £	1995 Other £
Expiring within one year	-	9,247	-	13,621
Expiring within two and five years inclusive	-	966	3,380	20,486
Expiring in over five years	8,305	-	4,925	-
	<u>8,305</u>	<u>10,213</u>	<u>8,305</u>	<u>34,107</u>

25 Group banking arrangements

The company has given an unlimited guarantee with regard to all amounts owing to Clydesdale Bank PLC by its parent company and fellow subsidiary companies. At 31 August 1996 the aggregate amount outstanding under these group banking arrangements was £1,712,382 (1995: £1,755,509).

26 Ultimate parent company

The directors regard Carr's Milling Industries PLC, a company registered in England and Wales as the ultimate parent company. According to the register kept by the company, Carr's Milling Industries PLC has a 100% interest in the equity capital of Carr's Flour Mills Limited at 31 August 1996. Copies of the parent company's consolidated financial statements may be obtained from Carr's Milling Industries PLC, Old Croft, Stanwix, Carlisle, CA3 9BA.