

Carr's Flour Mills Limited
Annual report and accounts
for the 52 week period ended 1 September 2007

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for the 52 week period ended 1 September 2007
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Carr's Flour Mills Limited

Directors' report for the 52 week period ended 1 September 2007

The directors present their report and the audited financial statements of the company for the 52 week period ended 1 September 2007

Principal activity

The principal activity of the company is that of flour milling

Review of business and future developments

The results of the company show a pre-tax profit of £700 113 (2006 £2,267,229) for the period and sales of £57,038,192 (2006 £55,703,398)

The market for flour was extremely difficult in the recent 12 months due to rising wheat costs, however the directors are satisfied with the performance for the 52 week period ended 1 September 2007. The new financial year is experiencing further massive increases in raw material costs but the flour price increases in August and November should together enable the company to return to more acceptable levels of profitability.

Principal risks and uncertainties

The principal business risks affecting the company are managed at a group level. For this reason, the directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of the company's business. The principal business risks are described on pages 10 and 11 of the group's annual report.

Key performance indicators ("KPI's")

The directors of the group manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using KPI's for the company is not necessary or appropriate for an understanding of the development, performance or position of the business. This is discussed on page 9 of the group's annual report.

Results and dividends

The results for the financial period are set out on page 5.

The directors have paid an ordinary dividend during the 52 week period ended 1 September 2007 of £2,100,000 (2006 £1,238,000).

The proposed dividend in respect of the period ended 1 September 2007 is £1,070,000 (2006 £2,100,000).

Post balance sheet events

The company had no significant post balance sheet events.

Carr's Flour Mills Limited

Directors

The directors who held office during the period are given below

C N C Holmes	(Chairman)
R C Wood	
D E Lines	
D Monroe	
R Mullen	(resigned 6 April 2007)

The company has maintained a directors' and officers' liability insurance policy throughout the period. Neither the company's indemnity nor insurance provides cover in the event that a director is proved to have acted fraudulently or dishonestly. No claims have been made either under the indemnity or the insurance policy.

Policy and practice on payment of creditors

It is the company's policy to agree terms of payment with its suppliers when agreeing the terms of a business transaction or transactions. All suppliers are aware of this procedure and the company abides by the agreed payment terms.

Trade creditors shown in the balance sheet at the end of the financial period represented 36 days (2006: 29 days) of average purchases for goods and services made during the period.

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state that the financial statements comply with IFRSs as adopted by the European Union, and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

Carr's Flour Mills Limited

Disclosure of information to auditors

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting.

On behalf of the Board



R C Wood
Secretary

30 November 2007

Carr's Flour Mills Limited

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

We have audited the financial statements of Carr's Flour Mills Limited for the 52 week period ended 1 September 2007 which comprise the income statement, the statement of changes in shareholders' equity, the balance sheet the cash flow statement, the statement of accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 International Standards on Auditing (UK and Ireland). 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 into 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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 in accordance with IFRSs as adopted by the European Union of the state of the company's affairs as at 1 September 2007 and of its profit and cash flows for the period then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Newcastle upon Tyne

30 November 2007

Carr's Flour Mills Limited

Income statement for the 52 week period ended 1 September 2007

	Note	52 week period 2007 £	52 week period 2006 £
Continuing operations			
Revenue	1	57,038,192	55 703,398
Cost of sales		(47,544,324)	(43,992,710)
Gross profit		9,493,868	11,710,688
Distribution costs		(5,454,520)	(5,637,176)
Administrative expenses		(3,119,428)	(3,625,354)
Operating profit	2	919,920	2,448,158
Analysed as:			
Operating profit before amortisation		1,237,040	3,274,257
Amortisation	3	(317,120)	(826,099)
Operating profit		919,920	2 448,158
Interest income	5	91,935	98,138
Interest expense	5	(311,742)	(279,067)
Profit before taxation		700,113	2,267,229
Taxation	6	(162,189)	(464 081)
Profit for the period attributable to equity holders of the company		537,924	1,803,148

Carr's Flour Mills Limited

Statement of changes in shareholders' equity for the 52 week period ended 1 September 2007

	Share capital	Capital redemption reserve	Equity compensation reserve	Other reserves	Retained earnings	Total
	£	£	£	£	£	£
At 4 September 2005	414,593	-	-	753,868	3,964,154	5,132,615
Profit for the financial period	-	-	-	-	1,803,148	1,803,148
Equity-settled share- based payment transactions	-	-	6,406	-	-	6,406
Dividends paid	-	-	-	-	(1,238,000)	(1,238,000)
Redemption of preference shares	(207,286)	207,286	-	-	(207,286)	(207,286)
Transfer from other reserve	-	-	-	(10,138)	10,138	-
At 2 September 2006	207,307	207,286	6,406	743,730	4,332,154	5,496,883
At 3 September 2006	207,307	207,286	6,406	743,730	4,332,154	5,496,883
Profit for the financial period	-	-	-	-	537,924	537,924
Equity-settled share- based payment transactions	-	-	16,821	-	-	16,821
Dividends paid	-	-	-	-	(2,100,000)	(2,100,000)
Transfer from other reserve	-	-	-	(10,138)	10,138	-
At 1 September 2007	207,307	207,286	23,227	733,592	2,780,216	3,951,628

Carr's Flour Mills Limited

Balance sheet as at 1 September 2007

	Note	2007 £	2006 £
Non-current assets			
Intangible assets	8	311,116	628,236
Property, plant and equipment	9	11,248,866	11,965,790
Investment property	10	160,327	164,307
Investment in subsidiaries	11	2	2
Other investments	11	1,000	4,261
<i>Financial assets</i>			
Non-current receivables	12	-	7,998
		11,721,311	12,770,594
Current assets			
Inventories	13	2,890,762	2,324,981
Trade and other receivables	14	9,845,159	10,329,543
Cash and cash equivalents	15	1,207,856	2,394,708
		13,943,777	15,049,232
Total assets		25,665,088	27,819,826
Current liabilities			
Trade and other payables	16	(6,002,375)	(5,678,692)
<i>Financial liabilities</i>			
Borrowings	17	(13,270,892)	(13,410,413)
Current tax liabilities	18	(171,069)	(655,115)
		(19,444,336)	(19,744,220)

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Balance sheet as at 1 September 2007 (continued)

	Note	2007 £	2006 £
Non-current liabilities			
<i>Financial liabilities</i>			
Borrowings	17	(351,134)	(437,988)
Other non-current liabilities	19	(145,293)	(165,624)
Deferred tax liabilities	23	(1,772,697)	(1,975,111)
		(2,269,124)	(2,578,723)
Total liabilities		(21,713,460)	(22,322,943)
Net assets		3,951,628	5,496,883
Shareholders' equity			
Ordinary share capital	24	207,307	207,307
Capital redemption reserve		207,286	207,286
Equity compensation reserve		23,227	6,406
Revaluation reserve		733,592	743,730
Retained earnings		2,780,216	4,332,154
Total shareholders' equity		3,951,628	5,496,883

The financial statements on pages 5 to 42 were approved by the Board of Directors on 30 November 2007 and were signed on its behalf by



C N C Holmes
Director



R C Wood
Director

Carr's Flour Mills Limited

Cash flow statement for the period ended 1 September 2007

	Note	52 week period 2007 £	52 week period 2006 £
Cash flows from operating activities			
Cash generated from operations	25	2,956,109	3,796,129
Interest received		91,935	98,138
Interest paid		(311,742)	(338,764)
Tax paid		(704,400)	(832,373)
Net cash from operating activities		2,031,902	2,723,130
Cash flow from investing activities			
Purchase of property, plant and equipment		(708,459)	(1,676,744)
Proceeds from sale of property, plant and equipment		14,217	31,540
Net cash used in investing activities		(694,242)	(1,645,204)
Cash flows from financing activities			
Redemption of preference share capital		-	(207,286)
Finance lease capital payments		(424,511)	(400,810)
Dividends paid to shareholders		(2,100,000)	(1,238,000)
Net cash used in financing activities		(2,524,511)	(1,846,096)
Effects of exchange rate changes		(1)	988
Net decrease in cash and cash equivalents		(1,186,852)	(767,182)
Cash and cash equivalents at the start of the period		2,394,708	3,161,890
Cash and cash equivalents at the end of the period	15	1,207,856	2,394,708

Carr's Flour Mills Limited

Statement of accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to both the current and prior period unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') and International Financial Reporting Interpretations Committee ('IFRIC') interpretations as adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. No IFRSs have been adopted before their effective date.

The company is a private limited liability company incorporated and domiciled in England and Wales. The address of its registered office is Old Croft, Stanwix, Carlisle, CA3 9BA.

The financial statements are prepared on the historical cost basis of accounting, except where IFRS requires assets and liabilities to be measured at fair value.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The company is a subsidiary of Carr's Milling Industries PLC and is included in the consolidated financial statements of Carr's Milling Industries PLC which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 228 of the Companies Act 1985.

Foreign currencies

The functional currency and presentational currency of the company is Sterling. Transactions in currencies other than Sterling are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Translation differences resulting from the settlement of such transactions and from the translation at exchange rates ruling at the balance sheet date of monetary assets and liabilities denominated in currencies other than the functional currency are recognised in the income statement.

Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration net of rebates and excluding discounts and value added tax. Revenue from the sale of goods is recognised when the company has transferred the significant risks and rewards of ownership of the goods to the buyer, when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the company.

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Retirement benefit obligations

The cost of providing retirement pensions and related benefits is charged to the income statement over the periods benefiting from the employee's service. The difference between the charge to the income statement and the contributions to the scheme is included as an asset or liability on the balance sheet. Employees are members of Carr's Milling Industries Pension Scheme 1993 and Carr's Flour Mills Group Personal Pension Plan.

Non-recurring items and amortisation

Non-recurring items and amortisation that are material by size and/or by nature are presented within their relevant income statement category. Items that management consider fall into this category are disclosed on the face of the income statement and within a note to the financial statements. The separate disclosure of non-recurring items and amortisation helps provide a better indication of the company's underlying business performance. Events which may give rise to non-recurring items and amortisation include gains or losses on the disposal of businesses, the restructuring of businesses, the integration of new businesses, asset impairments, the immediate recognition of negative goodwill and amortisation of intangible assets.

Interest

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

Goodwill

At the date of acquisition, goodwill is allocated to cash generating units for the purpose of impairment testing.

Goodwill is recognised as an asset and assessed for impairment annually. Any impairment is recognised immediately in the income statement. Once recognised, an impairment of goodwill is not reversed under any circumstance.

Negative goodwill is credited to the income statement in the period it occurs.

Other intangible assets

Other intangible assets are carried at cost less accumulated amortisation. Amortisation commences when assets are available for use. Customer relationships are being amortised in line with the profit streams expected to be generated over the life of the relationship. The life of the relationships range between 3 and 5 years.

Brands are being amortised in line with the income streams expected to be generated over a twenty year period, being the directors' estimate of the useful economic life.

The cost of intangible assets acquired in a business combination is the fair value at the acquisition date. The cost of separately acquired intangible assets comprises the purchase price and any directly attributable costs of preparing the assets for use.

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Cost comprises purchase price and directly attributable costs.

As permitted by IFRS1, the company has opted to treat previous revaluations of property made under UK GAAP as deemed cost at the date of transition.

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Freehold land and assets under construction are not depreciated. For all other property, plant and equipment, depreciation is calculated on a straight-line basis to allocate cost less residual values of the assets over their estimated useful lives as follows:

Freehold buildings	up to 50 years
Leasehold buildings	shorter of 50 years or lease term
Plant and machinery	5 to 20 years
Motor vehicles	3 to 5 years

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

Assets not fully constructed at the balance sheet date are classified as assets in the course of construction. When construction is complete, these assets are reclassified to the appropriate heading within property, plant and equipment. Depreciation commences when the asset is ready for use.

Investment property

Investment properties are properties held for long-term rental yields. Investment properties are carried in the balance sheet at cost less accumulated depreciation. Freehold land is not depreciated. For all other investment property, depreciation is calculated on a straight-line basis to allocate cost less residual values of the assets over their estimated useful lives as follows:

Freehold buildings	up to 50 years
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The cost of maintenance, repairs and minor equipment is charged to the income statement as incurred; the cost of major renovations and improvements is capitalised.

Investments

Investments are initially measured at cost, including transaction costs. They are classified as either 'available-for-sale' (fair values through profit or loss) or 'held to maturity'. Where securities are designated as 'at fair value through profit or loss', gains and losses arising from changes in fair value are included in net profit or loss for the period. For 'available-for-sale' investments, gains or losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured by other means are held at cost. 'Held-to-maturity' investments are measured at amortised cost using the effective interest method.

Non-current receivables

Non-current receivables do not carry any interest and are stated at their nominal value as reduced by an allowance, where appropriate, for estimated irrecoverable amounts.

Impairment of assets

At each reporting date, the company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the company makes an estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use and is determined for an individual asset. If the asset does not generate cash flows that are largely independent of those from other assets or groups of assets, the recoverable amount of the cash generating unit to which the asset belongs is determined. Discount rates reflecting the asset-specific risks and the time value of the money are used for the value in use calculation.

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Inventories

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

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

Cash and cash equivalents

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

Leasing

Leases are classified as finance leases at inception where substantially all of the risks and rewards of ownership are transferred to the company. Assets classified as finance leases are capitalised on the balance sheet and are depreciated over the expected useful life of the asset. The interest element of the rental obligations is charged to the income statement over the period of the lease using the actuarial method.

Rentals paid under operating leases are charged to the income statement on a straight-line basis over the term of the lease. Leasehold land is normally classified as an operating lease. Payments made to acquire leasehold land are included in prepayments at cost and are amortised over the life of the lease.

Any incentives to enter into operating leases are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax arising from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting or taxable profit or loss, is not recognised. Deferred tax is measured using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the asset is realised or the liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be achievable against which the temporary differences can be utilised. Tax is recognised in the income statement, unless the tax relates to items recognised directly in shareholders' equity, in which case the tax is recognised directly in the shareholders' equity through the statement of recognised income and expense.

During the period a reduction in the corporation tax rate from 30% to 28% was announced taking effect from 6 April 2008. This reduction is reflected in the deferred tax charge in the income statement, unless the tax relates to items recognised directly in shareholders' equity, in which case the tax is recognised directly in shareholders' equity through the statement of recognised income and expense.

Government grants

Grants received in respect of capital expenditure are recorded as deferred income and are taken to the income statement in equal annual instalments over the estimated useful lives of the assets concerned.

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Dividends

Final equity dividends to the shareholders of the company are recognised in the period that they are approved by the shareholders. Interim equity dividends are recognised in the period that they are paid.

Financial instruments

Financial assets and liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.

Bank borrowings

Interest-bearing loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an effective interest method.

Trade payables

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

Share-based payments

The ultimate parent company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the company's estimate of shares that will eventually vest.

Fair value is measured by use of a valuation model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

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IFRS not yet applied

The following standards and interpretations, which are in issue at the balance sheet date but not yet effective, have not been applied in these financial statements

	Effective for periods commencing on or after
IFRS 7 Financial Instruments Disclosures	1 January 2007
IAS 1 Revised – Presentation of financial statements	1 January 2009
IFRS 8 Operating Segments	1 January 2009
IFRIC 10 Interim financial reporting and impairment	1 November 2006
IFRIC 11 IFRS 2 Group and Treasury Share Transactions	1 March 2007
IFRIC 12 Service Concession Arrangements	1 January 2008
IFRIC 13 Customer Loyalty Programmes	1 July 2008
IFRIC 14 The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008
IAS 23 Revised – Borrowing costs	1 January 2009

It is considered that the above standards and interpretations will not have a significant effect on the results or net assets of the company. IFRS 7 and IAS 1 Revised will have no impact on the results or net assets of the company but will increase the level of disclosure to be made in the financial statements.

In addition the following amendments to standards are currently in exposure draft

IAS 24 Amendment – Related party disclosures
Proposed IFRS for small and medium sized entities
IFRS 1 Amendment – Cost of an investment in a subsidiary
IAS 32 and IAS 1 Amendment – Financial instruments puttable at fair value and obligations arising on liquidations
IFRS 2 Amendment – Share based payment Vesting conditions and cancellations
IFRS 3 and IAS 27 Amendment – Business combinations and Consolidated and separate financial statements
IAS 37 Amendment – Provisions, contingent liabilities and contingent assets

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Significant judgements, key assumptions and estimates

Application of certain Company accounting policies requires management to make judgements, assumptions and estimates concerning the future as detailed below

Valuation of share-based payments

The fair value of share-based payments is determined using valuation models and is charged to the income statement over the vesting period. The valuation models require certain assumptions to be made as shown in the tables in Note 22. Estimations of vesting and satisfaction of performance criteria are required to determine fair value.

Provision for impairment of trade receivables

The financial statements include a provision for impairment of trade receivables (Note 14) that is based on management's estimation of recoverability. There is a risk that the provision will not match the trade receivables that ultimately prove to be irrecoverable.

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Notes to the financial statements for the 52 week period ended 1 September 2007

1 Segmental reporting

At 1 September 2007, all of the activities of the company fall into one class of business, namely that of flour milling. All activities originated in the UK.

2 Operating profit

The following items have been included in arriving at operating profit

	2007 £	2006 £
Staff costs (Note 4)	6,994,163	6,926,530
Foreign exchange loss	1	988
Depreciation of property, plant and equipment		
- Owned assets	1,296,260	1,342,649
- Under finance leases	310,524	264,377
Loss on disposal of property, plant and equipment	2,518	10,338
Depreciation of investment property		
- Owned assets	3,980	3,980
Amortisation of intangibles (included in administrative expenses)	317,120	826,099
Loss on write off of investments	3,261	-
Amortisation and release of government grants	(20,331)	(19,434)
Other operating lease rentals payable		
- Plant and machinery	502,068	459,821

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

	2007 £	2006 £
Rental income	9,223	6,372
Operating expenses	(9,096)	(7,850)
	127	(1,478)

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2 Operating profit (continued)

Services provided by the group's auditor and network firms

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

	2007	2006
	£	£
Statutory audit	38,125	34,104

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

3 Amortisation

During the period the company incurred the following expenses which resulted in a reduction in profit of £317,120 (2006 £826,099)

	2007	2006
	£	£
Amortisation of intangible assets	(317,120)	(826,099)

4 Employees and directors

Staff costs for the company during the period

	2007	2006
	£	£
Wages and salaries	5,843,347	5,887,073
Social security costs	600,747	602,654
Fair value loss on share based payments	16,821	6,406
Pension costs	533,248	430,397
	6,994,163	6,926,530

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4 Employees and directors (continued)

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

	2007 Number	2006 Number
Sales, office and management	78	86
Manufacturing and distribution	127	124
	205	210

Key management compensation

	2007 £	2006 £
Salaries and short term benefits	172,819	228,249
Fair value loss on share based payments	5,862	1,524
Post-employment benefits	16,595	33,507
	195,276	263,280

Retirement benefits are accruing to one (2006 one) director under a defined benefit pension scheme

Key management are considered to be the directors of the company

Highest paid director	2007 £	2006 £
Salaries and short term benefits	127,345	140,685
Defined benefit scheme		
Accrued benefit at period end	19,370	15,169

Carr's Flour Mills Limited

5 Interest income and interest expense

	2007 £	2006 £
Interest income		
Bank interest receivable	84,717	94,310
Interest receivable on amounts due from group undertakings (Note 29)	4,301	3 828
Other interest receivable	2,917	-
Total interest income	91,935	98,138
Interest expense		
Interest payable on amounts due to group undertakings (Note 29)	(241,166)	(216,570)
Interest payable on finance leases	(53,853)	(62,497)
Other interest payable	16,723	-
Total interest expense	(311,742)	(279 067)

6 Taxation

(a) Analysis of charge in the period

	2007 £	2006 £
Continuing operations		
Current tax	379,604	968 499
Adjustment in respect of prior periods – current tax	(15,001)	(219,487)
Deferred tax (Note 23)	(202,414)	(284,931)
Taxation	162,189	464,081

Carr's Flour Mills Limited

6 Taxation (continued)

(b) Factors affecting tax charge for the period

The tax assessed for the period is lower (2006 lower) than the standard rate of corporation tax in the UK. The differences are explained below

	2007 £	2006 £
Profit on ordinary activities before taxation	700,113	2,267,229
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	210,034	680,169
<i>Effects of</i>		
Adjustments to tax in respect of prior periods	(15,654)	(267,322)
Expenses not deductible for tax purposes	94,477	51,642
Effect of changes in tax rates	(126,668)	-
Other	-	(408)
Tax charge for the period	162,189	464,081

In the 2007 budget a reduction in the corporation tax rate from 30% to 28% was announced taking effect from 6 April 2008. This reduction is reflected in the deferred tax charge in the income statement, unless the tax relates to items recognised directly in shareholders' equity, in which case the tax is recognised directly in shareholders' equity through the statement of recognised income and expense.

The government also announced its intention to propose that Parliament abolish Industrial Buildings Allowances ('IBAs'). As of 1 September, this change was not substantively enacted. Had the change been substantively enacted as of the balance sheet date the estimated impact on the income statement would be an increase in the deferred tax charge of £272,728.

7 Dividends paid

	2007 £	2006 £
Ordinary shares £10.130 (2006 £5.972) per £1 share	2,100,000	1,238,000

The proposed dividend in respect of the period ended 1 September 2007 is £1,070,000, being £5.161 per £1 share. The financial statements do not reflect this dividend payable.

Carr's Flour Mills Limited

8 Intangible fixed assets

	Customer relationships £	Brands £	Total £
Cost			
At 3 September 2006 and 1 September 2007	1,663,210	344,986	2,008,196
Aggregate amortisation			
At 3 September 2006	1,329,597	50,363	1,379,960
Charge for the period	285,536	31,584	317,120
At 1 September 2007	1,615,133	81,947	1,697,080
Net book amount			
At 1 September 2007	48,077	263,039	311,116

	Customer relationships £	Brands £	Total £
Cost			
At 4 September 2005 and 2 September 2006	1,663,210	344,986	2,008,196
Aggregate amortisation			
At 4 September 2005	538,082	15,779	553,861
Charge for the period	791,515	34,584	826,099
At 2 September 2006	1,329,597	50,363	1,379,960
Net book amount			
At 2 September 2006	333,613	294,623	628,236

Customer relationships are being amortised in line with the profit streams expected to be generated over the life of the relationship. The life of the relationships range between 3 and 5 years.

Brands are being amortised in line with income streams expected to be generated over a 20 year period, being the directors' estimate of the useful economic life.

Carr's Flour Mills Limited

9 Property, plant and equipment

	Land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 3 September 2006	5 496,259	22,116 897	1,026,373	28,639,529
Additions at cost	100,322	698,986	107,287	906,595
Disposals	-	(360 240)	(26,537)	(386,777)
At 1 September 2007	5,596,581	22,455,643	1,107,123	29,159,347
Accumulated depreciation				
At 3 September 2006	1,153,628	15,090,273	429,838	16,673,739
Charge for the period	156,726	1,304,205	145,853	1,606,784
Disposals	-	(360,240)	(9,802)	(370,042)
At 1 September 2007	1,310,354	16,034,238	565,889	17,910,481
Net book amount				
At 1 September 2007	4,286,227	6,421,405	541,234	11,248,866

Included in the above amounts for plant and machinery and motor vehicles are assets held under finance leases with a book value of £1,155,620 (2006 £1,330,035)

Depreciation is recognised within the income statement as shown below

	2007 £	2006 £
Cost of sales	1,460,931	1,470,209
Distribution costs	105,222	91,342
Administrative expenses	40,631	45,475
	1,606,784	1,607,026

Carr's Flour Mills Limited

9 Property, plant and equipment (continued)

	Land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 4 September 2005	5,476,091	21 111,219	1,010,363	27,597,673
Additions at cost	20 168	1,820 348	188,198	2,028,714
Disposals	-	(814 670)	(172,188)	(986,858)
At 2 September 2006	5,496,259	22,116,897	1,026,373	28,639,529
Accumulated depreciation				
At 4 September 2005	1 000,289	14,588,073	423,331	16,011,693
Charge for the period	153,339	1 316 870	136,817	1,607,026
Disposals	-	(814,670)	(130,310)	(944,980)
At 2 September 2006	1,153,628	15,090,273	429,838	16,673,739
Net book amount				
At 2 September 2006	4,342,631	7,026,624	596,535	11,965,790

Carr's Flour Mills Limited

10 Investment property

	Land and buildings £
Cost	
At 3 September 2006 and 1 September 2007	199,000
Accumulated depreciation	
At 3 September 2006	34,693
Charge for the period	3 980
At 1 September 2007	38,673
Net book amount	
At 1 September 2007	160,327

	Land and buildings £
Cost	
At 4 September 2005 and 2 September 2006	199,000
Accumulated depreciation	
At 4 September 2005	30 713
Charge for the period	3 980
At 2 September 2006	34,693
Net book amount	
At 2 September 2006	164,307

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

Carr's Flour Mills Limited

11 Investments

Investments in subsidiaries

	2007 £	2006 £
Cost and net book value		
At 4 September 2005, 3 September 2006 and 1 September 2007	2	2

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

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

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, which are publicly available. See Note 30 for further details.

Other investments

	2007 £	2006 £
Cost and net book value		
Brought forward	4,261	4,261
Amounts written off	(3,261)	-
Carried forward	1,000	4,261

Other investments principally comprise shares in several private companies in the agricultural sector. As a result of adoption of IAS 32 and IAS 39, these investments have been classified as unquoted investments for which fair value cannot be reliably measured and are held at cost.

12 Non-current receivables

	2007 £	2006 £
Loans receivable	-	7,998

Loans receivable comprise loans to customers.

Carr's Flour Mills Limited

13 Inventories

	2007	2006
	£	£
Raw materials and consumables	2,299,193	1,820,842
Finished goods	591,569	504,139
	2,890,762	2,324,981

Inventories is stated after a provision for impairment of £152,000 (2006 £118,000)

£33,440 (2006 £30,000) has been recognised as an expense within the income statement in respect of inventory write-downs during the current period

14 Trade and other receivables

	2007	2006
	£	£
Trade receivables	9,524,283	9,626,680
Less provision for impairment of receivables	(222,234)	(398,083)
Trade receivables – net	9,302,049	9,228,597
Amounts owed by group undertakings (Note 29)	102,772	762,889
Loans receivable	8,000	13,401
Other receivables	204,128	229,676
Prepayments	228,210	94,980
	9,845,159	10,329,543

An amount of £110,147 (2006 £238,948) is recognised in the income statement in respect of impairment of trade receivables

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

15 Cash and cash equivalents

	2007	2006
	£	£
Cash at bank and in hand	1,207,856	2,394,708

Carr's Flour Mills Limited

16 Trade and other payables

	2007	2006
	£	£
Trade payables	4,675,369	3,525,495
Amounts owed to group undertakings (Note 29)	385,480	748,140
Amounts owed to associated undertakings (Note 29)	82	1,705
Other tax and social security payable	208,467	230,502
Accruals and deferred income	732,977	1,172,850
	6,002,375	5,678,692

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

17 Borrowings

	2007	2006
	£	£
Current		
Loans from group undertakings (Note 29)	13,002,738	13,002,738
Finance lease obligations	268,154	407,675
	13,270,892	13,410,413
Non-current		
Finance lease obligations	351,134	437,988

Loans from group undertakings are unsecured

The effective interest rates at the balance sheet date were as follows

	2007	2006
	%	%
Loans	7.50	6.50
Finance lease	8.70	6.90

Carr's Flour Mills Limited

17 Borrowings (continued)

Future minimum payments under finance leases are as follows

	2007 £	2006 £
Within one year	306,712	449,220
In more than one year, but not more than five years	401,624	509,174
Total gross payments	708,336	958,394
Less future finance charges	(89,048)	(112,731)
Total	619,288	845,663

18 Current tax liabilities

	2007 £	2006 £
Corporation tax	171,069	312,443
Group relief	-	342,672
	171,069	655,115

19 Deferred income

	2007 £	2006 £
Grants		
Brought forward	165,624	185,058
Amortisation for period	(20,331)	(19,434)
Carried forward	145,293	165,624

Carr's Flour Mills Limited

20 Financial instruments

In accordance with IAS 39, 'Financial Instruments Recognition and measurement', Carr's Flour Mills Limited have reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No such embedded derivatives were identified from this review. There are no outstanding financial instruments that are designated as hedges at the balance sheet date.

Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at prevailing interest rates and by applying year end exchange rates. The fair value of current borrowings approximate to book value.

	2007 Book value	2007 Fair value	2006 Book value	2006 Fair value
	£	£	£	£
Fair value of non-current financial assets and financial liabilities				
Non-current receivables (Note 12)	-	-	7,998	7,998
Non-current borrowings (Note 17)	(351,134)	(351,134)	(437,988)	(437,988)
Other non-current liabilities (Note 19)	(145,293)	(145,293)	(165,624)	(165,624)
Fair value of current financial assets and financial liabilities				
Trade and other receivables (Note 14)	9,845,159	9,845,159	10,329,543	10,329,543
Cash at bank and in hand (Note 15)	1,207,856	1,207,856	2,394,708	2,394,708
Trade and other payables (Note 16)	(6,002,375)	(6,002,375)	(5,678,692)	(5,678,692)
Current borrowings (Note 17)	(13,270,892)	(13,270,892)	(13,410,413)	(13,410,413)

The fair values are based on the book values as the directors do not consider that there is a material difference between the book values and the fair values.

Maturity of financial liabilities

The maturity profile of the carrying amount of the company's non-current borrowings at 1 September 2007, was as follows:

	2007 Finance leases	2006 Finance leases
	£	£
In more than one year but not more than two years	200,460	219,457
In more than two years but not more than five years	150,674	218,531
	351,134	437,988

Borrowing facilities

The company is included within a group overdraft facility and it is therefore not possible to determine the undrawn committed facilities available to the company at the balance sheet date.

Carr's Flour Mills Limited

21 Retirement benefits

(a) Carr's Milling Industries Pension Scheme 1993

The company participates in a group pension scheme operated by Carr's Milling Industries PLC. The pension scheme offers a defined benefit and a defined contribution section. The assets of the scheme are held separately from those of the company and are invested with an independent manager. The defined benefit section of the scheme is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. The latest actuarial assessment of the scheme was at 1 January 2006.

The pension expenses for the defined benefit section of the scheme for the period was £215,644 (2006 £116,827). The pension expense for the defined contribution section of the scheme for the period was £53,342 (2006 £53,912). There were no outstanding contributions for the scheme at the period end (2006 £Nil).

Recognition of the defined benefit deficit and related disclosures required by IAS19 in respect of the group scheme are provided in the Carr's Milling Industries PLC financial statements. This includes details of the pension deficit of £9.8 million (2006 £15.8 million) on the group scheme at 1 September 2007. This was calculated in accordance with the pension scheme requirements of IAS19 and reflected pension scheme assets of £33.9 million (2006 £30.0 million) and £43.7 million (2006 £45.8 million) of pension scheme liabilities.

Costs are not defined for each individual company as the company is unable to identify its underlying share of the pension scheme assets and liabilities in the scheme. Contributions payable by Carr's Flour Mills Limited are therefore charged to the profit and loss account in the period they fall due. Common contribution rates apply across the Carr's Milling Industries PLC group as a whole and a number of company reorganisations have occurred.

Major assumptions	2007 %	2006 %
Inflation	3.2	3.0
Salary increases	4.2	4.0
Rate of discount	5.9	5.1
Pension in payment increases		
Pre 1 September 2001	3.5	3.25
Post 1 September 2001	3.2	3.0
Revaluation rate for deferred pensioners for pensions revaluing at 5.0% per annum or RPI if less	3.2	3.0

Mortality rates used in the valuation are: Pre-retirement – AM92/AF92 tables rated down 5 years for males and females, post retirement pensioners – PMA92/PFA92 tables projected to the calendar year 2015 and post retirement non pensioners – PMA92/PFA92 tables projected to the calendar year 2025. The mortality assumptions adopted at 2 September 2006 and at 1 September 2007 imply the following life expectancies at age 65:

	At 1 September 2007 and 2 September 2006
Males currently age 40	20.2 years
Females currently age 40	23.1 years
Males currently age 65	19.4 years
Females currently age 65	22.4 years

Carr's Flour Mills Limited

21 Retirement benefits (continued)

Movements in the present value of defined benefit obligations	2007 £'000	2006 £'000
At the beginning of the period	45,794	39,556
Current service cost	788	714
Interest cost	2,334	2,131
Changes in assumptions underlying the defined benefit obligation	(4,364)	4,258
Benefits paid	(831)	(865)
At the end of the period	43,721	45,794

Movements in the fair value of scheme assets	2007 £'000	2006 £'000
At the beginning of the period	29,998	27,437
Expected return on scheme assets	1,955	1,771
Actual return less expected return on scheme assets	206	358
Contributions by employer	2,586	1,297
Benefits paid	(831)	(865)
At the end of the period	33,914	29,998

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

	Expected return		Fair value of assets	
	2007 %	2006 %	2007 £'000	2006 £'000
Equity instruments	7.5	7.5	19,117	15,776
Debt instruments	5.75	4.75	12,462	11,936
Property	7.0	7.0	2,005	1,831
Other assets	5.75	4.75	330	455
	6.8	6.3	33,914	29,998
Actual return on scheme assets			2,161	2,129

The expected long term return on cash is equal to bank base rates at the balance sheet date. The expected return on bonds is determined by reference to UK long dated gilt and bond yields at the balance sheet date. The expected rate of return on equities and property have been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions at the balance sheet date.

Carr's Flour Mills Limited

21 Retirement benefits (continued)

(b) Carr's Flour Mills Group Personal Pension Plan

The company also participates in a Group Personal Pension plan. The assets of the scheme are held separately from those of the company in an independently administered fund.

The pension cost for the period charged to the income statement is £264,162 (2006 £259,658). There were no outstanding contributions due for the scheme at the period end (2006 £Nil).

22 Share-based payments

During the period the company participated in a deferred bonus scheme. As part of the deferred bonus scheme the eligible individuals invest a proportion of their bonus into shares. Matching shares may be awarded after a period of three years if certain performance criteria are met. Individuals in the scheme may receive a maximum of one matching share for every share they bought subject to the Carr's Milling Industries PLC Group's adjusted earnings per share over the period of three years ending 31 August 2009 equalling or exceeding the growth in the RPI over the same period by an average of 4% per annum. The award multiple will be reduced to 0.5 should the growth in adjusted earnings per share over the three years equal the growth in RPI by an average of 2% per annum. Should the adjusted earnings per share fall between the two threshold levels, referred to above, the award multiple will be measured on a straight-line basis between 0.5 and 1.

In 2006 the company participated in two new group schemes, granted by the ultimate parent company, an Inland Revenue approved discretionary employee share option scheme and a share save scheme.

The approved share options were granted to certain senior employees and directors. Options are exercisable between three and ten years from the date of grant, subject to the movement of the Carr's Milling Industries PLC Group's adjusted earnings per share over the three years to 31 August 2008 exceeding that of the RPI by an average of 2% per annum.

All employees, subject to eligibility criteria, may participate in the share save scheme. Under this scheme employees are offered savings contracts for both 3 year and 5 year vesting period plans. The exercise period is 6 months from the vesting date.

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22 Share-based payments (continued)

The fair value per option granted and the assumptions used in the calculation of fair values are as follows

	Deferred Bonus Scheme 2006	Approved Executive Share Option Scheme 2006	Share Save Scheme 2006 (3-year plan)	Share Save Scheme 2006 (5-year plan)
Grant date	7/2/07	24/2/06	1/6/06	1/6/06
Share price at grant date (weighted average)	£6 43	£4 76	£4 64	£4 64
Exercise price (weighted average)	£0 25	£4 76	£4 79	£4 79
Number of employees	1	8	19	19
Shares under option	3,369	33,000	9,596	20,560
Vesting period (years)	2 67	3	3	5
Model used for valuation	Black Scholes	Binomial	Black Scholes	Black Scholes
Expected volatility	21 00%	22 44%	20 18%	21 37%
Option life (years)	2 75	10	3 5	5 5
Expected life (years)	2 67	6 5	3 25	5 25
Risk-free rate	5 451%	4 224%	4 683%	4 623%
Expected dividends expressed as a dividend yield	3 20%	3 36%	3 56%	3 56%
Expectations of vesting	100%	100%	75%	75%
Expectations of meeting performance criteria	100%	100%	N/A	N/A
Fair value per option	£5 69	£0 99	£0 60	£0 78

The expected volatility is based on historical volatility calculated over the weighted average remaining life of the award being valued. The expected life is the average period to exercise. The risk-free rate of return is the implied yield of zero-coupon UK Government bonds with a remaining term equal to the expected term of the award being valued.

Carr's Flour Mills Limited

22 Share-based payments (continued)

Deferred Bonus Scheme 2006

The number and weighted average exercise prices are as follows

	2007	2007	2006	2006
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	£		£	
Outstanding at the beginning of the period	-	-	-	-
Granted during the period	0.25	3,369	-	-
Exercised during the period	-	-	-	-
Lapsed during the period	-	-	-	-
Outstanding at the end of the period	0.25	3,369	-	-
Exercisable at the end of the period	-	-	-	-

At the period end the weighted average remaining contractual life of the options is 2.167 years with a weighted average remaining expected life of 2.083 years

Approved Executive Share Option Scheme 2006

The number and weighted average exercise prices are as follows

	2007	2007	2006	2006
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	£		£	
Outstanding at the beginning of the period	4.76	33,000	-	-
Granted during the period	-	-	4.76	33,000
Exercised during the period	-	-	-	-
Lapsed during the period	4.76	(3,000)	-	-
Outstanding at the end of the period	4.76	30,000	4.76	33,000
Exercisable at the end of the period	-	-	-	-

At the period end the weighted average remaining contractual life of the options is 8.5 years with a weighted average remaining expected life of 5 years

Carr's Flour Mills Limited

22 Share-based payments (continued)

Share Save Scheme 2006 – 3 year plan

The number and weighted average exercise prices are as follows

	2007	2007	2006	2006
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	£		£	
Outstanding at the beginning of the period	4.79	9,596	-	-
Granted during the period	-	-	4.79	9,596
Exercised during the period	-	-	-	-
Lapsed during the period	4.79	(702)	-	-
Outstanding at the end of the period	4.79	8,894	4.79	9,596
Exercisable at the end of the period	-	-	-	-

At the period end the weighted average remaining contractual life of the options is 2.25 years with a weighted average remaining expected life of 2 years

Share Save Scheme 2006 – 5 year plan

The number and weighted average exercise prices are as follows

	2007	2007	2006	2006
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	£		£	
Outstanding at the beginning of the period	4.79	20,560	-	-
Granted during the period	-	-	4.79	20,560
Exercised during the period	-	-	-	-
Lapsed during the period	4.79	(6,722)	-	-
Outstanding at the end of the period	4.79	13,838	4.79	20,560
Exercisable at the end of the period	-	-	-	-

At the period end the weighted average remaining contractual life of the options is 4.25 years with a weighted average remaining expected life of 4 years

Carr's Flour Mills Limited

22 Share-based payments (continued)

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

	2007 £	2006 £
Approved Executive Share Option Scheme 2006	9,405	5,445
Share Save Scheme 2006 – 3 year plan	1,531	360
Share Save Scheme 2006 – 5 year plan	1,692	601
Deferred Bonus Scheme 2006	4,193	-
	16,821	6,406

23 Deferred taxation

The movement on the deferred tax account is shown below

	2007 £	2006 £
Brought forward	1,975,111	2,260,042
Income statement credit (Note 6)	(202,414)	(284,931)
Carried forward	1,772,697	1,975,111

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered

In the 2007 budget a reduction in the corporation tax rate from 30% to 28% was announced taking effect from 6 April 2008. This reduction is reflected in the deferred tax charge in the income statement, unless the tax relates to items recognised directly in shareholders' equity in which case the tax is recognised directly in shareholders' equity through the statement of recognised income and expense.

The government also announced its intention to propose that Parliament abolish Industrial Buildings Allowances ("IBAs"). As of 1 September 2007 this change was not substantively enacted. Had the change been substantively enacted as of the balance sheet date the estimated impact on the balance sheet would be an increase in the deferred tax liability of £272,728.

Carr's Flour Mills Limited

23 Deferred taxation (continued)

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same legal jurisdiction as permitted by IAS 12) during the period are shown below

Deferred tax liabilities	Accelerated capital allowances	Other	Total
	£	£	£
At 3 September 2006	1,686,539	288,572	1,975,111
Income statement credit (Note 6)	(183,176)	(19,238)	(202,414)
At 1 September 2007	1,503,363	269,334	1,772,697

24 Called up share capital

	2007	2006
	£	£
Authorised		
250,000 (2006 250,000) ordinary shares of £1 each	250,000	250,000
250 000 (2006 250,000) 3 5% redeemable preference shares of £1 each	250,000	250,000
Allotted and fully paid		
207,307 (2006 207,307) ordinary shares of £1 each	207,307	207,307

Carr's Flour Mills Limited

25 Cash flow generated from operating activities

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

	2007	2006
	£	£
Continuing operations		
Net profit	537,924	1,803,148
<i>Adjustments for</i>		
Tax	162,189	464,081
Interest income	(91,935)	(98,138)
Interest expense	311,742	279,067
Depreciation of property, plant and equipment	1,606,784	1,607,026
Depreciation of investment property	3,980	3,980
Amortisation and release of government grants	(20,331)	(19,434)
Amortisation of intangible assets	317,120	826,099
Exchange losses/(gains) on foreign bank balances and borrowings	1	(988)
Loss on disposal of property, plant and equipment	2,518	10,338
Loss on disposal of investments	3,261	-
Net fair value loss on share based payments	16,821	6,406
Decrease in non-current receivables	7,998	12,402
<i>Changes in working capital</i>		
(Increase)/decrease in inventories	(565,781)	32,481
Increase in trade and other receivables	(107,386)	(843,614)
Increase/(decrease) in trade and other payables	771,204	(286,725)
Cash generated from operations	2,956,109	3,796,129

Carr's Flour Mills Limited

26 Commitments under operating leases

	2007 Plant and machinery £	2006 Plant and machinery £
Commitments under non-cancellable operating leases expiring:		
Within one year	358,863	392,820
Later than one year and less than five years	688,246	304,738
After more than five years	24,680	-
	1,071,789	697,558

27 Capital commitments

	2007 £	2006 £
Contracts placed for future capital expenditure not provided in the financial statements	-	181,510

28 Contingent liabilities

The company has given an unlimited cross guarantee with regard to all amounts owing to Clydesdale Bank PLC by its parent company and fellow subsidiary companies. At 1 September 2007 the aggregate amount outstanding under these group banking arrangements was £8,452,806 (2006 £7,345,496)

Carr's Flour Mills Limited

29 Related party transactions

The company has the following transactions with related entities

In respect of the period ended 1 September 2007

Transactions with ultimate parent company and fellow group companies

	Sales to £	Purchases from £	Management charges from £	Interest payable to £	Interest receivable from £	Dividends paid to £	Amounts owed from £	Amounts owed to £
Carr's Milling Industries PLC	-	-	(566,560)	(241,166)	4,301	(2,100,000)	67,783	(7,698,088)
Carrs Billington Agriculture (Sales) Limited	3,681	(285,741)	-	-	-	-	427	(46,843)
Carrs Agriculture Limited	-	-	-	-	-	-	1,494	-
Carrs Engineering Limited	-	(4,491)	-	-	-	-	-	(102)
Tax payable to other group companies	-	-	-	-	-	-	-	(208,535)
Inter company balances with dormant group companies	-	-	-	-	-	-	33,068	(5,434,650)
	3,681	(290,232)	(566,560)	(241,166)	4,301	(2,100,000)	102,772	(13,388,218)

Other related party transactions

	Sales to £	Purchases from £	Management charges from £	Interest payable to £	Interest receivable from £	Dividends paid to £	Amounts owed from £	Amounts owed to £
Carrs Billington Agriculture (Operations) Limited	-	(493)	-	-	-	-	-	(82)

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

Carr's Flour Mills Limited

29 Related party transactions (continued)

In respect of the period ended 1 September 2006

Transactions with ultimate parent company and fellow group companies

	Sales to	Purchases from	Management charges from	Interest payable to	Interest receivable from	Dividends paid to	Amounts owed from	Amounts owed to
	£	£	£	£	£	£	£	£
Carr's Milling Industries PLC	-	-	(433,000)	(216,570)	3,828	(1,238,000)	69,904	(7,618,088)
Carrs Billington Agriculture (Sales) Limited	3,388	(269,178)	-	-	-	-	5,047	(34,451)
Carrs Agriculture Limited	-	-	-	-	-	-	20,692	(2,644)
Carrs Engineering Limited	3,889	(8,354)	-	-	-	-	1,591	(4,989)
Tax recoverable from other group companies	-	-	-	-	-	-	591,770	(656,056)
Inter company balances with dormant group companies	-	-	-	-	-	-	73,885	(5,434,650)
	7,277	(277,532)	(433,000)	(216,570)	3,828	(1,238,000)	762,889	(13,750,878)

Other related party transactions

	Sales to	Purchases from	Management charges from	Interest payable to	Interest receivable from	Dividends paid to	Amounts owed from	Amounts owed to
	£	£	£	£	£	£	£	£
Carrs Billington Agriculture (Operations) Limited	7,983	-	-	-	-	-	-	(1,705)

30 Ultimate parent undertaking and controlling party

The immediate and ultimate parent undertaking and controlling party is Carr's Milling Industries PLC which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Carr's Milling Industries PLC consolidated financial statements can be obtained from the Company Secretary at Carr's Milling Industries PLC, Old Croft Stanwix, Carlisle, CA3 9BA.