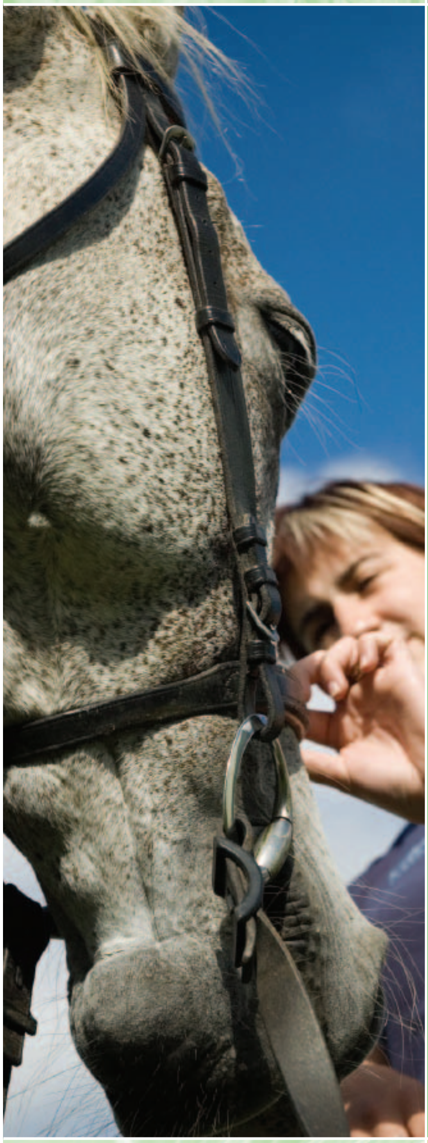

Carr's Milling Industries PLC
Annual Report & Accounts 2006

organic growth

Carr's Milling Industries activities are focussed on Agriculture, Food and Engineering with increased Annual Sales of

£242.6m

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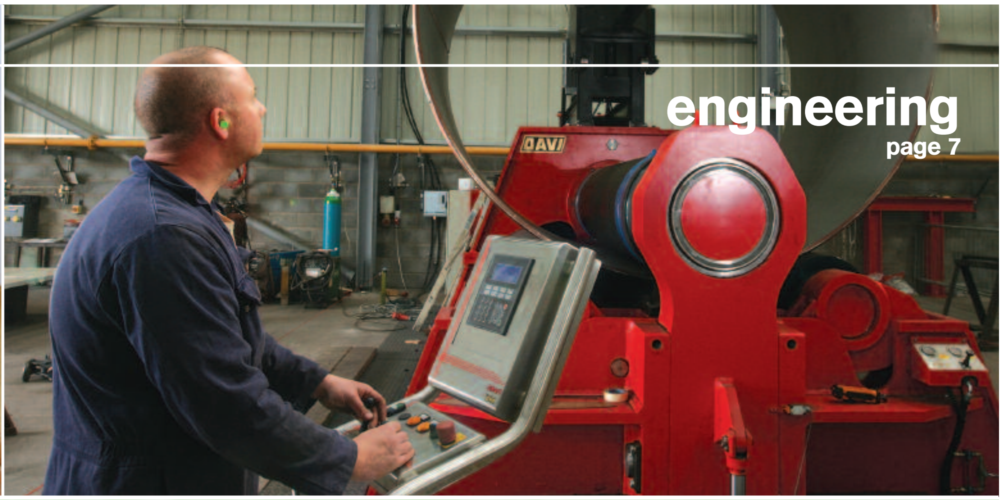
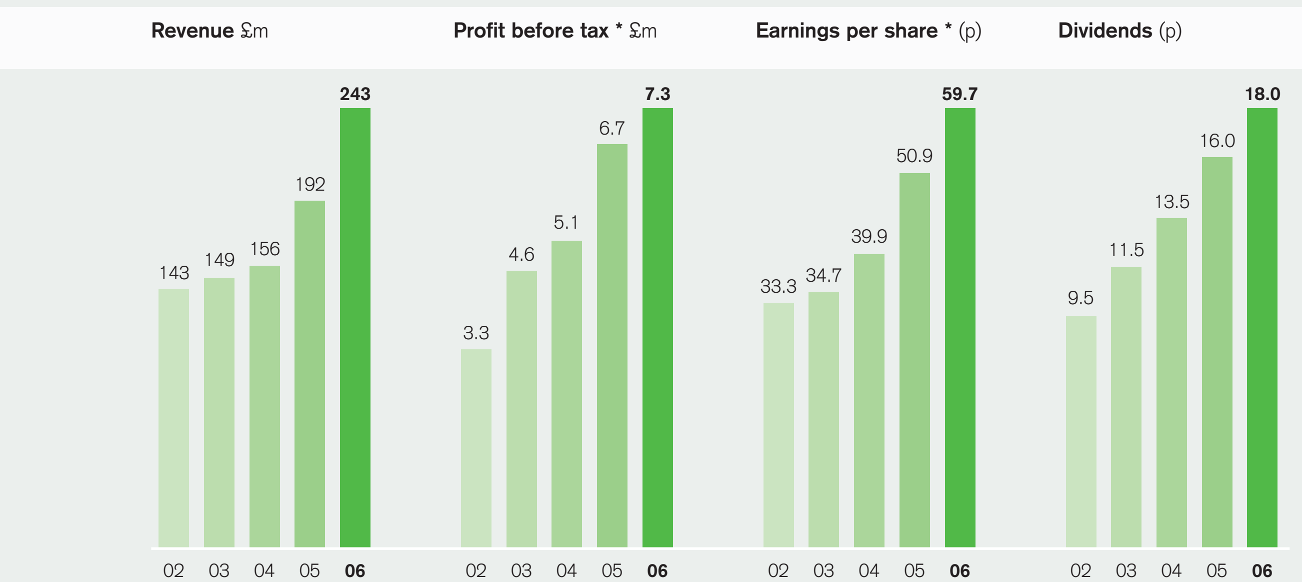
Financial Highlights

- Revenue up 26% to **£242.6m**
- Profit before tax down 39% at **£6.3m**
- Adjusted profit* before tax up 9% at **£7.3m**
- Basic earnings per share down 45% at **51.0p**
- Adjusted earnings per share* up 17% to **59.7p**
- Dividend up 13% to **18.0p** per share
- Strong operating cash generation

* excluding non-recurring items and amortisation of intangible assets





Statutory numbers are given in the Chairman's Statement and reconciliations are given in the Notes to the Financial Statements
2002 - 2004 prepared under UKGAAP and 2005 - 2006 under IFRS
* excludes non-recurring items and amortisation of intangible assets

Richard Inglewood

It gives me great satisfaction to report to Shareholders that Carr's has once again raised adjusted pre-tax profits to record levels, with a 9.2% increase to £7.3m. Growth in our existing business and expansion in Germany reflects a good performance from all three divisions.

FINANCIAL OVERVIEW

The annual figures have, for the first time, been prepared under International Financial Reporting Standards ("IFRS") and those for 2005 have been restated on a comparable basis.

Revenue in the 52 weeks to 2 September 2006 rose 26.3% to £242.6m (53 weeks to 3 September 2005: £192.1m), partially due to the inclusion for the full year of the animal feed business acquired by our associate from Pye in July 2005 and of the flour business acquired by Carr's Flour Mills from Meneba in November 2004.

Profit before tax was £6.3m (2005: £10.4m). Profit before tax excluding non-recurring items (principally the £4.1m gain on disposal of the Bendall's factory in the previous year) and amortisation of intangible assets increased by 9.2% to £7.3m (2005: £6.7m). Adjusted earnings per share, on a similar basis, rose 17.3% to 59.7p (2005: 50.9p) - an eighth successive annual increase. Basic earnings per share was 51.0p (2005: 92.1p).

Operating cash flow in the year was strong. Cash generated from operations of £11.1m compared with £6.7m in the previous period. Net debt reduced to £13.9m (2005: £14.9m), representing gearing of 68.3% (2005: 73.9%). The net interest charge of £1.0m (2005: £1.2m) was covered 7.9 times (2005: 6.7 times) by adjusted Group operating profit.

The results are considered in more detail in the Chief Executive's Review.

DIVIDENDS

Reflecting the Group's progressive dividend policy, its good performance and its encouraging prospects, the Board is proposing an increase in the final dividend of 13.6% to 12.5p per share. Along with the interim dividend of 5.5p per share, paid in May 2006 (2005: 5.0p), this makes a total dividend for the period of 18.0p per share, an increase of 12.5% on last period's 16.0p. The final dividend, if approved by Shareholders, will be paid on 19 January 2007 to Shareholders on the register at the close of

expanding in europe

business on 15 December 2006. Shares will be ex-dividend on 13 December 2006.

DEVELOPMENT OF CARR'S AGRICULTURE BUSINESS

In anticipation of a decline in divisional profit in the face of a further deterioration in the UK market for agriculture, during the period Carr's made various changes to its animal feed business.

As reported in the Interim Announcement of 26 April 2006, to address a noticeable reduction in demand and serious industry over-production of compound and blended feed, our associate's compound feed mills at Blackburn (Lancashire), Penrith (Cumbria), and Shrewsbury (Shropshire) were closed. The remaining Pye animal feed business, is now fully integrated into Carrs Billington Agriculture Operations. The integration of the sales teams, systems and product ranges proved challenging, and it is to the credit, and demonstrates the strength, of our management teams that this is complete and the business is focussed on the challenges ahead.

The animal feed business expanded into Wales with the formation in September 2005 of a new joint venture company, Bibby Agriculture, together with Wynnstay Group and Welsh Feed Producers; Carr's Billington Agriculture Sales is a 50% shareholder. Bibby Agriculture traded profitably.

Since 2001, we have sold our Crystalyx low moisture feed blocks through a large distributor in Germany, Agravis. Volumes have steadily increased and reached a stage where it was viable to build a manufacturing plant in Germany using our patented manufacturing process. A new company, Crystalyx Products GmbH, jointly owned by Carr's and Agravis, was formed and the new plant was commissioned in January 2006. In the early months, new sales outlets have been sourced and we are encouraged by the performance to date.

In the US, we replaced a production line at our factory in Belle Fourche, South Dakota, completing in November 2006. This new line incorporates the new technology developed by our own engineering staff and is designed to meet the expected increased demand.

BUSINESS OVERVIEW

The Pye acquisition in July 2005 nearly doubled Carr's compound and blended feed volumes. In the period there was a further deterioration in the UK market for agriculture, including the Group's principal trading area of North West England and South West Scotland, as a result of delays in farmers' receiving subsidies (in the form of the initial Single Farm Payment), the low price of milk and animals feeding outside in the mild winter weather. In addition, margins were squeezed due to higher energy costs. Consequently, Agriculture's contribution reduced, as forecast in the Interim Announcement.

The Meneba acquisitions, comprising mills at Kirkcaldy in Fife and Maldon in Essex, more than doubled the size of Carr's flour business, previously comprising a single mill at Silloth in Cumbria. Demand for flour from both bakers and biscuit producers was high throughout the period and, together with the success in winning new customers, the three mills operated to near capacity throughout the period. Accordingly, a substantial increase in Food's contribution to the Group's profit before non-recurring items and amortisation was achieved, as anticipated in the Interim Announcement.

The Bendalls engineering business re-located to its new factory in July 2005 and has benefited from the improved facilities and production layout. The three engineering businesses made good progress in 2006.

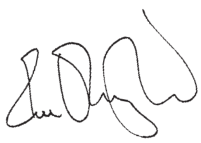
BOARD

In September 2005, Alastair Wannop was appointed a non-executive Director, bringing non-executive Directors to three and independent non-executive Directors to two, and I succeeded David Newton as Chairman.

As in previous years, the Board reviewed best practice Corporate Governance policies and procedures and made changes to ensure the Group remains where appropriate compliant, bearing in mind its size, with the Combined Code.

OUTLOOK

In the 52 weeks to 2 September 2006, the performance of the business continued to benefit from the strength of the management teams at the Group's operational activities. This attribute has enabled the Group to continue its progress despite the difficulties posed by increased costs, particularly energy, and the general trading environment. We expect these challenges to continue into the current year. However, I can report that trading in the opening weeks is in line with management's expectations but with the high cost increases being experienced the management will be challenged to continue the Group's growth.



Richard Inglewood
Chairman
21 November 2006

Chris Holmes

In the period to 2 September 2006, Carr's both achieved an eighth successive annual increase in adjusted earnings per share and further strengthened its business. The two large acquisitions of the previous year - the Meneba flour mills and the Pye feed mills by our associate - were successfully incorporated into the Group activities and three joint ventures, mainly in the area of manufacture and supply of animal feed, were established.

agriculture

The Group's Agriculture business comprises, in the UK primarily in the North West of England and South West of Scotland, four related activities - animal feed manufacture, fertiliser blending, agricultural retailing and oil distribution - and, in the USA and Germany, animal feed manufacture.

Operating profit of £5.0m (2005: £5.9m) was achieved on a revenue of £174.5m (2005: £132.7m).

UNITED KINGDOM

Agriculture's UK market place was even more challenging than last period. In general, this reflected delays and uncertainty in farmers' receiving the initial Single Farm Payment (indeed, considerable sums are still outstanding in respect of the 2005 harvest year), the unprecedented low farm gate milk price and higher energy costs.

Further problems specifically affecting the manufacture of compound ruminant animal feed included the mild winter weather (enabling animals to feed outside) and substantial over-production, reflecting reduced demand, in the Group's trading area.

In the latter context, the Group, together with its associate, took decisive action (as it has often done when faced with adverse conditions). Within months of the acquisition in July 2005 by the Group's associate company, Carr's Billington Agriculture Operations, of certain assets of W&J Pye (in Administration), compound feed mills were closed at Blackburn (Lancashire), Penrith (Cumbria) and Shrewsbury (Shropshire). This left Carr's Billington Agriculture Operations with four compound feed mills - at Carlisle (Cumbria), Langwathby (Cumbria), Lancaster (Lancashire) and Stone (Staffordshire) - and three blended feed mills - at Askrigg (North Yorkshire), Kirkbride (Cumbria) and Lancaster. Notwithstanding, manufacturing capacity remains in excess of demand. The rationalisation and integration of the two entities has gone well as too has the capital expenditure to improve the efficiency and quality of product at the Lancaster Mill.

In March 2006, Afgritech, a joint venture company in which Carr's Milling Industries is a 50% shareholder, was formed with Afgri Operations, one of the largest South African agricultural companies. Afgritech has invested £0.7m in a new plant at Langwathby to produce by-pass protein for ruminant animals, which will initially be available exclusively to customers of Carr's Billington Agriculture, simultaneously increasing labour productivity at that plant. Production will start in November 2006.

The Caltech division, which has a plant at Silloth (Cumbria), again increased revenue and profits from its manufacture of low-moisture feed blocks for the domestic, agricultural livestock and equine market. The successful launch of a new product, Garlyx, designed to repel biting insects on cattle and horses, will fully benefit the new financial year.

Bibby Agriculture, the joint venture company formed in September 2005 in which Carr's Billington Agriculture Sales is a 50% shareholder, has made a good start selling in Wales animal feed manufactured by its shareholders, fertiliser and other farming supplies.

Fertiliser, produced at the Group's three blending plants - at Invergordon (Easter Ross), Montrose (Angus) and Silloth - marginally increased its volumes, but profits slightly reduced. This reflected a difficult first half and peak period of March/April, reflecting farmers' reluctance to pay energy-related higher prices. The Group's unique range of environmentally-protective fertiliser, New Choice, increased both revenue, by 15%, and profit.

Carr's agricultural retailing increased both revenue and profits from its 14 branches, operating as Carr's Billington Agriculture, from Perth in the North to Leek (Staffordshire) in the South, selling farm supplies. Carr's Machinery distributes new and used agricultural and groundcare machinery from six of these branches, across the north of England and in Dumfries and Galloway in South West Scotland. Sales of Massey Ferguson machinery again exceeded expectations and the increased sales of parts and workshop services again contributed to the result.

Wallace Oils, which was acquired in April 2005, supplies oils and lubricants to a broad customer base out of three depots, located at Carlisle, Dumfries and Stranraer, the latter two in Dumfries and Galloway.

In its first full year of ownership, Wallace Oils performed satisfactorily and began to make inroads into the Group's customer base.

OVERSEAS

In the US, our subsidiary, Animal Feed Supplement, which produces Smartlic and Feed in a Drum low-moisture animal feed blocks at mills in Belle Fourche (South Dakota) and Poteau (Oklahoma), substantially increased its volumes, but profit margins were lower as a result of further cost increases in the base raw material, molasses. The installation of a new production line to replace the 1998 production line, the older of the two, at Belle Fourche will be completed in November 2006 without disrupting production.

In Germany, a 50:50 joint venture, Crystalyx Products, was established in 2005 in conjunction with Agravis, one of Germany's largest agricultural companies. In January 2006, a new low-moisture animal feed plant was commissioned to manufacture Crystalyx in Oldenburg, North West Germany for the domestic market. The business has commenced well, breaking into new European markets.

Operating profit before non-recurring items and amortisation of intangible assets of £3.3m (2005: £2.3m) was achieved on revenue of £55.7m (2005: £48.0m).

Carr's principal food businesses are Carr's Flour Mills, with a flour mill at Silloth, and, since November 2004, the two former Meneba flour mills, Hutchisons at Kirkcaldy (Fife) and Greens at Maldon (Essex). The Meneba acquisition more than doubled the size of Carr's flour business.

In a favourable market for flour, all three mills worked near capacity throughout the period and a price increase was implemented in September 2005 partially offsetting increases in the cost of electricity and distribution. Higher margin speciality flours are performing particularly well. Silloth suffered no repetition of the previous period's three month loss of flour sales to United Biscuits' factory in Carlisle, as a result of flooding, and increased its sales to United Biscuits' Tollcross factory outside Glasgow. The Kirkcaldy and Maldon mills benefited from a full year's trading and the greater efficiencies implemented since acquisition.

The Carr's Breadmaker range of retail flours continues to sell well, with listings in three major multiple retailers.

engineering

Engineering operating profit totalled £1.1m (2005: £0.8m, before the gain on disposal of property of £4.1m) on a revenue of £12.2m (2005: £11.2m).

Engineering comprises Bendalls and R Hind, which are based in Carlisle, and Carr's MSM, which is based in Swindon (Wiltshire). Bendall's designs and manufactures specialist steel fabrications for the global petrochemical, nuclear, renewable energy and process industries. R Hind provides vehicle bodybuilding and accident repairs for cars and commercial vehicles. Carr's MSM designs and manufactures master slave manipulators, which are key components for many industries but notably the nuclear industry.

Bendalls, which is much the largest of the three activities, benefited from more efficient working conditions following the move into larger, modern premises in July 2005. A £2.5m contract to supply to the Azerbaijan oil pipeline pressure vessels was constructed and successfully delivered in the year. The SeaGen next generation tidal energy device, for which Bendalls has manufactured a part of the structure, is expected to be delivered to Strangford Lough, outside Belfast, and connected to the National Grid in January 2007. Prospects for improved orders from British Nuclear Group at Sellafield are good as its decommissioning programme progresses.

Of the smaller divisions, R Hind traded satisfactorily, whilst Carr's MSM traded well gaining some new customers and enters the new year with a strong order book.

STAFF

In October this year Carr's celebrated its 175th Anniversary - a great achievement, particularly made even more special by it being the eighth year in a row of hitting new records of profitability and shareholder returns.

This is a great achievement for the Company and I would like to pay tribute to all my colleagues here in the UK, the USA and Europe for their dedication and commitment to the continued growth of the Company.

PROSPECTS

Market conditions for Agriculture are not getting any easier with the low farm gate milk price and again unbelievable expected delays of the Single Farm Payment. The massive increase in wheat prices combined with high-energy costs will make it a tough year for the Food division. Engineering made good progress this period, but this is unlikely to be repeated in the current period.

Given these trading environments, to achieve a ninth successive annual increase in adjusted profit before tax will be challenging, despite the greater strength of the business and Carr's track record in successfully combating adverse conditions.

Chris Holmes

Chris Holmes
Chief Executive Officer
21 November 2006

The Group's business

The Group's operations are organised into three business divisions, agriculture, food and engineering, and the performance of these three divisions in the period is discussed in the Chief Executive's Review on pages 4 to 7. The agriculture business operates predominately in the North of England, Wales and Scotland, in addition there are two animal feed plants in the US and a plant in Germany. The flour and the engineering business operate entirely within the UK although a proportion of sales from the engineering business are export.

The markets in which all three businesses operate are competitive both in terms of pricing from other suppliers and the retail environment in general which has a direct impact on many of our customers. Despite this, Carr's businesses have a long record of increasing sales and profits through a combination of investing in modern efficient factories, developing a range of quality products and making sound acquisitions. The businesses are under the control of stable, experienced and talented operational management teams supported by a skilled workforce.

the group

Business objectives

There are five key elements to the Group's strategy for meeting its objectives which are continuing growth and profitability:

- Deliver quality, innovative and cost-effective products and services to our customers
- Organic growth
- Seek acquisitions to complement our existing businesses
- Maximise operational efficiency
- Securing employee health and safety

We monitor our performance against the strategy by means of key performance indicators ('KPIs'):

- Organic sales growth – year on year increase in sales revenue excluding the impact of acquisitions and disposals
- Gross return on sales – gross profit as a percentage of sales revenue
- Net return on sales – operating profit before non-recurring items and amortisation as a percentage of sales revenue
- Adjusted earnings per share – profit attributed to equity shareholders before non-recurring items and amortisation divided by the weighted average number of shares in issue during the period
- Return on net assets – profit before tax and before non-recurring items and amortisation as a percentage of net assets
- Free cash flow – cash generated from operations less tax and net interest paid

Business strategies

The Group's market strategy is to focus on growing the quality end of the markets in which we operate, to establish meaningful and long lasting relationships with our customers by a combination of product development and high service levels and to invest in quality facilities. Each business within the Group is given the responsibility for developing its own plans to deliver the objectives of the Group with particular emphasis on growing sales through the supply of quality products, service and product innovation, improving operational efficiency and securing employee health and safety. The role of the Board in achieving Group objectives has been to support operational management and to identify suitable acquisitions that will create new customers to the Group or will secure existing market positions.

Performance against KPIs

	2006	2005
Organic sales growth	**5.3%**	13.6%
Gross return on sales	**14.8%**	16.0%
Net return on sales	**3.3%**	4.2%
Adjusted earnings per share	**59.7p**	50.9p
Return on net assets	**32.3%**	27.8%
Free cash flow	**£7.2m**	£3.7m

FINANCIAL REVIEW

Basis of preparation

The full year accounts are being reported under IFRS for the first time. The effect of the Group's conversion to IFRS has already been communicated to Shareholders in our statement in April 2006 together with the reconciliations and accompanying narrative explaining the restatement of the UK GAAP financial statements for 2005. As previously stated, the impact on the Group's results of the adoption of IFRS has not been significant to the underlying business and the fundamentals of the Group's business and the way in which it is managed are unaltered by the change in accounting regime. The main differences between IFRS and the former UK GAAP which have affected the Group are in relation to business combinations, pensions and deferred taxation.

Overview

Group revenue from activities during the period was £242.6 million (2005: £192.1 million). The increase in revenue comprised a full years trading of the animal feed business acquired by our associate from W & J Pye in July 2005 and the additional 11 weeks revenue from the two flour mills acquired in November 2004.

Profit before taxation and before non-recurring items and amortisation of intangible assets increased to £7.3 million (2005: £6.7 million). Non-recurring items and amortisation are disclosed in Note 6 to the financial statements.

Net finance costs were £1.0 million (2005: £1.2 million) and were covered 7.9 times (2005: 6.7 times) by adjusted Group operating profits.

Taxation

The Group's effective tax charge on profit from activities after net finance costs was 31.5% (2005: 24.7%). A reconciliation of the actual total tax charge to the standard rate of corporation tax in the UK of 30% is set out in note 9 to the financial statements.

Earnings per share

The profit attributable to the equity holders of the Company amounted to £4.2 million (2005: £7.5 million), and basic earnings per share was 51.0p (2005: 92.1p). Adjusted earnings per share of 59.7p (2005: 50.9p) is calculated by dividing the operating profit for the period, before non-recurring items and amortisation of intangible assets, by the weighted average number of shares in issue during the period.

Balance sheet review

We have continued to invest in the business with total capital expenditure in the year of £4.0 million, making our total capital expenditure since 2003 £13.8 million. In the current period we have continued to invest in production facilities with £1.8 million spent on our flour mills and the placement production line at our low moisture feed block plant in the US.

Intangible assets increased in November 2004 as a result of the acquisition of Meneba UK Limited and in 2006 £0.9 million was amortised.

Inventories have decreased by 8.0% from £12.9 million, mainly due to lower engineering work in progress following the completion of contracts in the last quarter.

Trade and other receivables have decreased by £1.65 million, principally due to the decrease in trade receivables of £2.4 million arising from better collections, particularly in agriculture.

Trade and other payables have decreased by £3.9 million due to a decrease in trade payables of £2.2 million which is simply due to the timing of payments. The retirement benefit obligation adverse movement of £3.7 million in the period is discussed in the section headed Pensions.

Overall net assets increased by £0.4 million to £22.3 million.

Cash flow and net debt

The Group's operational cash generation increased in the period with cash flows generated from operations in the current year of £11.1 million (2005: £6.7 million). This has assisted the Group in funding the capital investment programme previously discussed, resulting in net cash generated of £4.3 million (2005: £0.3 million) before investment and financing activities. Dividend payments and loan repayments contributed to a £4.9 million outflow in financing activities (2005: £3.3 million).

Net debt at the year end was £13.9 million (2005: £14.9 million) with gearing at 68.3% (2005: 73.9%). Net debt is expected to decrease over the next couple of years excluding any acquisition funding.

Pensions

The Group operates its current pension arrangements on a defined benefit and defined contribution basis. The defined benefit section is closed to new members and has 125 active members, 147 deferred members and 146 current pensioners and the scheme received contributions from the Group and members which almost match the pensions paid out in 2006.

The valuation under IAS19 accounting basis showed a deficit before related deferred tax asset in the scheme at 2 September 2006 of £15.8 million (3 September 2005: £12.1 million). The movement in the current period arose principally as a result of a re-assessment of the mortality rates, applicable discount rates and inflation rates that caused a significant increase in the deficit.

Following the triennial valuation at 1 January 2006, the trustees and the company are considering a strategy designed to eliminate the deficit within ten years.

Currently, the contributions paid by participating companies has increased by £1.3 million to £2.6 million.

A Group subsidiary undertaking is a participating employer in a defined benefit pension scheme of our associate. The IAS19 accounting basis showed a total deficit, for that scheme, before related tax asset at 2 September 2006 of £5.7 million (2005 : £6.5 million). The Group recognises approximately 50% of the scheme deficit and related deferred tax asset in its investment in associate. The details of both pension schemes are given on note 28 to the financial statements.

Treasury Policy

The Group's policy is structured to ensure adequate financial resources are available for the development of its business while managing its currency and interest rate risks. The Group's strategy, policy and controls are developed centrally and approved by the Board. The Group does not engage in speculative transactions.

The main elements of treasury activity are outlined below.

Foreign currency risk

The major foreign currency risk facing the Group is in the purchasing of raw materials in the fertiliser and flour milling operations. The major currency involved is the US dollar. The policy of the Group is to hedge using forward foreign exchange contracts with UK banks as soon as commitment has been given to the underlying transaction.

The result of the foreign subsidiary is translated into sterling at the average rate of exchange for the period concerned. As this translation has no impact on cash flow, the Group chooses not to hedge its foreign subsidiary earnings.

The balance sheet of the foreign subsidiary is translated into sterling at the closing US dollar exchange rate. Any gains or losses on the translation of the balance sheet into sterling are recorded in reserves. Currency translation risks of net assets in the US subsidiary are not hedged.

Interest rate risk
The Board set the policy on interest rate risk and this was reviewed at the time of the Meneba UK acquisition when borrowings increased significantly. The policy is to cover approximately 50% of the risk and was implemented by taking out interest cap and rate swap agreements with a UK bank. The policy will be reviewed from time to time as circumstances change. The monitoring of the interest rate risk is managed at head office based on cash flow projections.

Credit risk
Practically all sales are made on credit terms to an extensive range of customers, UK food producers, agricultural merchants, farmers and the nuclear industry. Overdue accounts are reviewed monthly at divisional management meetings. Historically, the incidence of bad debts is low.

Funding
The Group has historically been cash generative. The bank position for each operation is monitored on a daily basis and capital expenditure above a certain level is approved at the monthly Group board meeting. Each operation has access to the Group's overdraft facility or has facilities specific to that operation and all term debt is arranged centrally. The current bank facilities available to the Group are a term loan of £2.0 million repayable in October 2009, a revolving credit facility of £4.5 million and overdraft facilities of £8.0 million. Unutilised facilities at 2 September 2006 were £10.9 million (2005: £14.6 million).

Resources, risks and uncertainties
The Group aims to safeguard the assets that give it competitive advantage, being its product quality, product innovation and service levels; its operational management, skilled workforce and its modern well-equipped factories.

Reputation
It is the responsibility of local operational management assisted by the Group Health and Safety Manager to maintain and where possible enhance the Group's reputation for product quality, product innovation, service levels and a culture of safe working.

Manufacturing facilities
The Group has continued to invest in its production facilities in all three divisions and it intends to continue investing to ensure that it maintains a competitive edge. The investment in new premises and equipment for our engineering business, Bendalls, in Carlisle in 2005 has improved efficiencies.

Employees
While the Group continues to invest in facilities and equipment we also continue to invest in our people. The Group offers training programmes where additional skills are required to undertake their responsibilities. The businesses have strategies for retaining staff, including the provision of competitive terms and conditions, a contributory occupational pension scheme and share options. The Group introduced a Savings–related Share Option Scheme in May 2006.

Principal risks and uncertainties
Each year the Group carries out a formal exercise to identify and assess the impact of risks on its business and this year the exercise was carried out in August 2006. The more significant risks and uncertainties faced by the Group were identified as customer retention, employee retention, margins, profitability and competition. The corporate governance statement describes more about the Group's risk management process.

RCWood

On behalf of the Board
Ronald C Wood
Finance Director
21 November 2006

Board of Directors




Top, left to right:

Lord Inglewood
Non-Executive Chairman

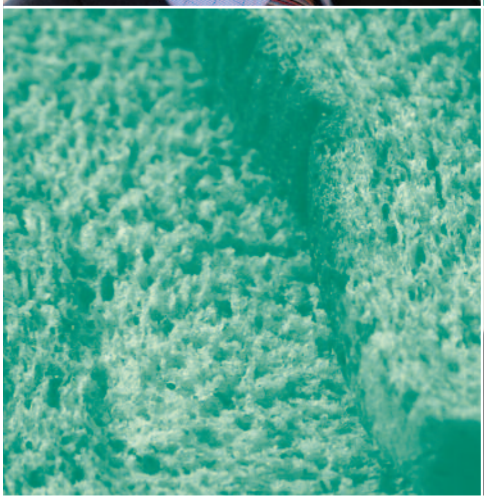
Chris Holmes
Chief Executive Officer

Ron Wood
Finance Director

Bottom, left to right:

Robert Heygate
Non-Executive Director

Alistair Wannop
Non-Executive Director

Registered Office and Advisers

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Registered No. 98221

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The Royal Bank of Scotland plc
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Carlisle CA3 8EL

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15 Fisher Street
Carlisle CA3 8RW

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Fenay Bridge
Huddersfield HD8 0LA

Directors' Report

The Directors submit their report and the audited accounts of the Company for the period ended 2 September 2006.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The Company's activities are Agriculture, Food and Engineering. A review of the business and future development of the Group and a discussion of the principal risks and uncertainties faced by the Group is presented in the Chief Executive's Review on pages 4 to 7 and in the Operating and Financial Review on pages 8 to 11.

RESULTS AND DIVIDENDS

The profit before taxation was £6.3 million (2005: £10.4 million). After taxation charge of £2.0 million (2005: £2.6 million), the profit for the period is £4.3 million (2005: £7.8 million). An interim dividend of 5.5p per ordinary share was paid on 31 May 2006. The Directors recommend the payment of a final dividend for the period, which is not reflected in these accounts, of 12.5p per ordinary share which, together with the interim dividend, represents 18.0p per ordinary share, totalling £1.5 million (2005: 16.0p per ordinary share, totalling £1.3 million).

Subject to approval at the Annual General Meeting, the final dividend will be paid on 19 January 2007 to members on the register at the close of business on 15 December 2006. Shares will be ex-dividend on 13 December 2006.

FINANCIAL INSTRUMENTS

The Group's risk management objectives and policy are discussed in the Treasury Policy section of the Operating and Financial Review on page 10.

DIRECTORS

The Directors of the Company currently in office are as stated on page 12. Each of the current Directors served for the whole of the period under review. W R Inglewood and A R Heygate retire in accordance with the Articles of Association and, being eligible, each offers himself for re-election.

Biographical details of the directors are shown below:

Non-executive directors

Lord Inglewood (55) was a Conservative member of the European Parliament for ten years until his retirement in 2004, was a Government Minister from 1995 to 1997 and has been a member of the House of Lords since 1989. He brings to the Board wide experience, in particular of EU and Westminster politics, allied with a knowledge of farming and of Carr's north-west England heartland. He is also chairman of CN Group Limited the Carlisle based regional media company.

Mr A R Heygate (61) is an executive director of Heygate & Sons Limited, the UK's largest independent flour miller, and is also engaged in animal feed compounding and other agricultural activities.

Mr A G M Wannop (44) is a director of English Food and Farming Partnership and of Cumbria Vision. He has actively farmed in Cumbria for many years.

Lord Inglewood, Mr A R Heygate and Mr A G M Wannop have two year fixed term contracts which expire on 31 August 2007.

Executive directors

Mr C N C Holmes (55) was appointed to the Board in January 1992, and as CEO in September 1994. Previously he held senior management positions in the agricultural division of J Bibby & Sons.

Mr R C Wood (58) was appointed to the Board as Finance Director in January 1988 and is a member of the Chartered Institute of Management Accountants. Mr R C Wood is also Company Secretary.

The two executive directors have service contracts which provide for a rolling two year notice period.

EMPLOYMENT POLICIES

The Company's policy on employee involvement is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of the Company's operations. Employees participate directly in the success of the business by contributing to the SAYE share option schemes.

Employment policies are designed to provide equal opportunities irrespective of colour, ethnic or natural origin, nationality, sex, religion, marital or disabled status. Full consideration is given to applications for employment by and the continuing employment, training and career development of disabled people.

POLITICAL AND CHARITABLE DONATIONS

During the period ended 2 September 2006 the Group contributed £11,346 (2005: £12,443) in the UK for charitable purposes. There were no political donations during the period (2005: Nil).

PAYMENT OF SUPPLIERS

Payment terms are agreed with each supplier and every endeavour is made to adhere to the agreed terms. The average credit terms for the Group as a whole, based on the year-end trade payables figure and a 364 day year, is 42 days (2005: 42 days). The Company has no outstanding trade payables at the end of the financial period.

SHARE CAPITAL

The movement in the share capital during the period is detailed in note 29 to the financial statements.

DIRECTORS INTERESTS

The interests of the Directors, as defined by the Companies Act 1985, in the ordinary shares of the Company, other than in respect of options to acquire ordinary shares (which are detailed in the analysis of options included in the Directors' Remuneration Report on pages 20 to 23), are as follows:

	on 2 September 2006 Ordinary Shares	on 3 September 2005 Ordinary Shares
C N C Holmes	**47,990**	47,990
A R Heygate	**37,225**	37,225
R C Wood	**25,090**	25,090
W R Inglewood	**3,510**	1,250
A G M Wannop	**2,261**	2,261

All the above interests are beneficial. There have been no other changes to the above interests in the period from 3 September 2006 to 13 November 2006.

MAJOR SHAREHOLDERS

The Company has been informed of the following interests at 6 November 2006 in the 8,233,579 ordinary shares of the Company, as required by the Companies Act 1985:

	Number of shares	Percentage of Issued share capital
Heygate & Sons Limited	1,332,762	16.2%
T W G Charlton	1,177,500	14.3%
HSBC Global Custody Nominee (UK) Limited	350,000	4.0%
Chase Nominees Limited	325,548	4.0%

AUDITORS

PricewaterhouseCoopers LLP have expressed their willingness to continue in office and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 12. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirm that:

- to the best of each Director's knowledge and belief, there is no audit information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

ANNUAL GENERAL MEETING AND SPECIAL BUSINESS TO BE TRANSACTED AT THE ANNUAL GENERAL MEETING

The Notice convening the Annual General Meeting appears on page 75 and includes the following items of Special Business:

(i) Resolution 7 : Disapplication of pre-emption rights
The resolution renews the existing authority to the Directors under Section 95 of the Companies Act 1985 to allot shares by way of rights to shareholders and to allot shares for cash up to a nominal value of £102,920 (representing 5 per cent of the issued share capital) without first offering such shares pro rata to existing shareholders, as would otherwise be required under Section 89 of that Act. This will allow the Directors some flexibility when considering how best to finance new business opportunities. In accordance with the requirements of the London Stock Exchange this resolution will come up for renewal at the next Annual General Meeting.

(ii) Resolution 8 : Purchase its own shares
This resolution renews the existing authority to the directors to buy, by way of market purchases, up to 823,358 of its own shares (representing 10 per cent of the issued share capital). The proposal should not be taken as an indication that the Company will purchase its own shares. This authority will only be exercised by the Directors if they are satisfied that it would result in an increase in earnings per share and would be in the best interest of shareholders generally.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

The Directors are required to prepare financial statements for each financial period which present fairly the financial position of the Company and of the Group and the financial performance and cash flows of the Company and of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Carr's Milling Industries website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The requirements to provide an enhanced Directors' Report under Section 243ZZB of the Companies Act have been addressed in this Report and the preceding Operating and Financial Review.

By Order of the Board

Ronald C Wood
Secretary
21 November 2006

Corporate Governance

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE PROVISIONS OF THE COMBINED CODE

PRINCIPLES OF GOOD GOVERNANCE

The Board is committed to high standards of corporate governance. The adoption and maintenance of good governance is the responsibility of the Board as a whole. This report, together with the Directors' Remuneration Report on pages 20 to 23, describes how the Board applies the principles of good governance and best practice as set out in the Combined Code on Corporate Governance (the "Combined Code"). A statement of compliance can be found at the end of this report.

THE BOARD

The Board consists of a non-executive Chairman, two executive Directors and two other non-executives. A R Heygate is a non-executive director and the Board considers him to be independent although the Combined Code would not deem him independent due to his long association with the Company and he represents a significant shareholder. The Board believes that he acts in the best interests of the Company and that his holding of shares in the Company aligns his interests with that of the shareholders. A G M Wannop is the senior independent non-executive director. The Combined Code recommends that the Board of Directors of a UK public company should include a balance of executive and non-executive Directors (including independent non-executives) such that no individual or small group of individuals can dominate the Board's decision-making. The Board is confident that it now meets the requirements of the Combined Code with the exception of A R Heygate as outlined above.

The Board meets nine times throughout the year to direct and control the overall strategy and operating performance of the Group. To enable them to carry out these responsibilities all Directors have full and timely access to all relevant information. Training resources are available to all Directors. A formal schedule of matters reserved for decision by the Board covers key areas of the Group's affairs including acquisition and divestment policy, approval of budgets, major capital expenditure projects, profit and cash flow performance and general treasury and risk management policies. Responsibility for the Group's day to day operations is delegated to the Chief Executive who, supported by the Finance Director and executive management, implement the Board's strategy and manage the Group's business. The roles of the Chairman and the Group Chief Executive are separated and clearly defined. The Chairman's overall responsibility is to ensure that the Board carries out its responsibilities. The Group Chief Executive's responsibilities are to direct and promote the operation and development of the Group. Procedures are in place for Directors to seek both independent advice at the expense of the Company and the advice and services of the Company Secretary in order to fulfil their duties. The Company Secretary is responsible to the Board for ensuring that Board procedures are complied with and for advising the Board, through the Chairman, on all governance matters. The appointment and removal of the Company Secretary is determined by the Board as a whole.

The Company's Articles of Association provide that one third of the Directors retire by rotation each year at the Annual General Meeting. The Combined Code requires that Directors are required to present themselves for re-election at intervals of no more than three years. It is the Board's intention to amend the Articles of Association at an appropriate time to ensure compliance with this provision, but in the interim, the Board intends to operate re-elections of Directors in a manner to ensure compliance with the Combined Code. All new Directors are subject to election by shareholders at the first opportunity following their appointment.

Directors' biographies and membership of the various committees are shown on page 13. The formal terms of reference for the main Board Committees together with the terms and conditions of appointment of non-executive Directors are reviewed annually and are available for inspection at the Company's Registered Office and at the Annual General Meeting.

BOARD COMMITTEES

Audit Committee

The Audit Committee currently comprises the three non-executives, W R Inglewood, A R Heygate and A G M Wannop. The Committee is chaired by A R Heygate. The Board considers that the Company meets the main requirements of the Combined Code for a Company of Carr's size.

The board are responsible for assessing the Group's internal financial controls and meet with the external auditors as appropriate. The external auditors have the opportunity for direct access to the Committee without the executive Directors being present.

The Committee reviews the Group's accounting policies and internal reports on accounting and internal financial control matters together with reports from the external auditors. The Audit Committee has overall responsibility for monitoring the integrity of financial statements and related announcements and for all aspects of internal control and meets at least two times a year, which involve a review of the Group's interim and full year statements. The Audit Committee is also responsible for recommendations for the appointment, reappointment or removal of the external auditors and for reviewing their effectiveness. It also approves the terms of engagement and remuneration and monitors their independence including the nature and levels of non-audit services.

The Chairman of the Audit Committee will be available at the Annual General Meeting to respond to any shareholder questions that might be raised on the Committee's activities.

MEETINGS ATTENDANCE

Details of the number of meetings and members' attendance at, the Board, Audit and Remuneration Committees during the period are set out in the table below.

	Board	Audit Committee	Remuneration Committee
No. of meetings	**9**	**2**	**3**
W R Inglewood	9	2	3
C N C Holmes	9	—	—
R C Wood	8	—	—
A R Heygate	8	2	3
A G M Wannop	9	2	3

Remuneration Committee

The Remuneration Committee currently comprises W R Inglewood (Chairman), A R Heygate and A G M Wannop. It is a requirement of the Combined Code that the Remuneration Committee should, in the case of smaller companies, consist of at least two members who are considered by the Combined Code to be independent. The Company has complied with this. The Board is confident that the Company complies with the requirements of the Combined Code in terms of the required number of independent Directors for a Company of Carr's size. C N C Holmes, Chief Executive, attends meetings of the Remuneration Committee by invitation and in an advisory capacity. No Director attends any part of a meeting at which his own remuneration is discussed. The Chairman and the executive Directors determine the remuneration of the other non-executive Directors.

The Committee recommends to the Board the policy for executive remuneration and determines, on behalf of the Board, the other terms and conditions of service for each executive Director. It determines appropriate performance conditions for the annual cash bonus and deferred bonus scheme and approves awards and the issue of options in accordance with the terms of those schemes. The executive directors' contract periods are two years and the Board has not set an objective on the reduction of these contract periods to one year or less as it feels that this is the minimum appropriate to retain the services of key executives with significant knowledge of the business in which the Group trades. The Remuneration Committee also monitors the level and structure of remuneration of senior management below that of main board Director. The Remuneration Committee has access to advice from the Company Secretary and to detailed analysis of executive remuneration in comparable companies. Details of the Committee's current remuneration policies are given in the Directors' Remuneration Report on pages 20 to 23.

The Chairman of the Remuneration Committee attends the Annual General Meeting to respond to any shareholder questions that might be raised on the Committee's activities.

RELATIONS WITH SHAREHOLDERS

The Board recognises the importance of good communications with all shareholders. The Company maintains dialogue with institutional shareholders and analysts, and general presentations are made when financial results are announced. Shareholders have access to the Company's website at www.carrs-milling.com.
The Annual General Meeting is the principal forum for all the directors to engage in dialogue with private investors. All shareholders are given the opportunity to raise questions at the meeting. The Company aims to send notices of Annual General Meetings to shareholders at least 20 working days before the meeting, as required by the Combined Code, and it is the Company's practice to indicate the proxy voting results on all resolutions at the meetings.

GOING CONCERN

The Directors have prepared the accounts on a going concern basis, having satisfied themselves from a review of internal budgets and forecasts and current bank facilities that the Group has adequate resources to continue in operational existence for the foreseeable future.

INTERNAL CONTROL

The Board of Directors has overall responsibility for the Group's systems of internal control, including financial, operational and compliance controls and risk management, which safeguards the shareholders' investment and the Group's assets, and for reviewing its effectiveness. Such a system can only provide reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Group operates within a clearly defined organisational structure with established responsibilities, authorities and reporting lines to the Board. The organisational structure has been designed in order to plan, execute, monitor and control the Group's objectives effectively and to ensure that internal control becomes embedded in the operations. The Board confirms that the key on-going processes and features of the Group's internal risk based control system, which accord with the Turnbull guidance, have been fully operative and up to the date of the Annual Report being approved. These include: a process to identify and evaluate business risk; a strong control environment; an information and communication process; a monitoring system and a regular Board review for effectiveness. The Finance Director and Group Financial Accountant are responsible for overseeing the Group's internal controls.

The Group does not have an internal auditor as the Board consider that the Group has not yet reached a size where a separate internal audit function would be an appropriate or cost effective method of ensuring compliance with Group policies, and therefore does not currently propose to introduce a Group internal audit function. This area will be kept under review as part of the Board's assessment of the Group's systems of internal control.

The management of the Group's businesses identified the key business risks within their operations, considered the financial implications and assessed the effectiveness of the control processes in place to mitigate these risks. The Board reviewed a summary of the findings and this, along with direct involvement in the strategies of the businesses, investment appraisal and budgeting process, enabled the Board to report on the effectiveness of internal control.

AUDITOR INDEPENDENCE

The Board is satisfied that PricewaterhouseCoopers LLP has adequate policies and safeguards in place to ensure that auditor objectivity and independence is maintained. The Company meets its obligations for maintaining the appropriate relationship with the external auditors through the Audit Committee whose terms of reference include an obligation to consider and keep under review the degree of work undertaken by the external auditors, other than the statutory audit, to ensure such objectivity and independence is safeguarded.

COMPLIANCE WITH THE REVISED COMBINED CODE

The Directors consider that the Company has, during the period ended 2 September 2006, complied with the requirements of the revised Combined Code other than as set out below.

- bonuses and benefits in kind paid to executive directors are pensionable (Sch. A.6)
- the directors' contract periods are two years (B.1.6)
- there are no specific provisions for compensation on early termination (B.1.5)
- the Board did not have in place during the period a formal and rigorous process of evaluation of its own performance and that of its committees (A.6.1). Rigorous but informal evaluation has historically been carried out by the Chairman and Chief Executive, an evaluation of the performance of the individual directors has also been carried out by the Remuneration Committee
- there is no separate Nominations Committee (A.4.1) to assess and recommend new directors. Instead the Board as a whole considers these areas following initial scrutiny and recommendations by the Chief Executive and Chairman
- there has been no formal review by the Audit Committee of the arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters (C.3.4). A review has been undertaken and a procedure is to be issued.

By order of the Board

Ronald C Wood
Secretary
Carlisle
CA3 9BA
21 November 2006

Independent Auditors' Report to the Members of Carr's Milling Industries PLC

We have audited the group and parent company financial statements (the "financial statements") of Carr's Milling Industries PLC for the period ended 2 September 2006 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Statements of Recognised Income and Expense, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the principal accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also 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 review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the financial highlights, the Chief Executive's Review, the Chairman's Statement, the Operating and Financial Review, the Directors' Report, the unaudited part of the Directors' Remuneration Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 and the part of the Directors' Remuneration Report to be audited. 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 group's and 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

OPINION

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 2 September 2006 and of its profit and cash flows for the period then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 2 September 2006 and cash flows for the period then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
21 November 2006

Directors' Remuneration Report

REMUNERATION COMMITTEE

All matters relating to executive remuneration are determined by the Remuneration Committee, a sub-committee of the Board of Directors. The Remuneration Committee, comprises the Chairman, A R Heygate and A G M Wannop. As appropriate, the Committee may invite the Chief Executive Officer to participate in some of its discussions. The Committee is responsible for determining the terms and conditions of employment of executive directors. It is also responsible for considering management recommendations for remuneration and employment terms of the Company's senior staff, including incentive arrangements for bonus payments and grant of share options.

The remuneration of the non-executive directors is determined by the Chairman and the Chief Executive Officer and reflects the time, commitment and responsibility of their roles.

The Remuneration Committee's decisions are made on the basis of rewarding individuals for the nature of jobs they undertake and their performance therein. Proper regard is given to the need to attract and retain high quality, well-motivated staff at all levels and to the remuneration being paid by similar companies.

DETAILS OF REMUNERATION

The remuneration of directors is set out in detail on page 22. The Company's Remuneration Committee decides the remuneration policy that applies to executive directors and the Group's other senior management.

Each of the executive directors has a two-year rolling contract. The most recent executed contracts for the executive directors were dated 10 June 2002. In the event of termination the executive directors would be entitled to loss of salary, benefits and pensionable service for the notice periods. The contracts of non-executive directors of the Company are fixed for two years and the most recent executed contracts for W R Inglewood, A R Heygate and A G M Wannop were 1 September 2005.

The Company's policy is that a proportion of the remuneration of the executive directors should be performance related. As described opposite, executive directors may earn annual incentive payments together with the benefits of participation in Share Option Schemes.

CONSTITUENT ELEMENTS OF REMUNERATION PACKAGE

In applying the above principles to the determination of executive director remuneration, the Remuneration Committee gives consideration to several components which together comprise the total remuneration package; these consist of the following:

- **Basic Salary** is determined by the Committee at the beginning of each year. In deciding appropriate levels, the Committee considers the position in the Group, personal and Company performance and relies on information on a comparable group of companies. Basic salaries were last reviewed in August 2006, with increases taking effect from 1 September 2006. The next review will take place in August 2007. Executive directors' contracts of service, which include details of remuneration, will be available for inspection at the Annual General Meeting.

- **Annual Bonus** is paid up to a maximum of 50% of Basic Salary on achievement of profit targets and is pensionable.

- **Benefits in Kind** comprise private healthcare which is pensionable and critical illness/death in service cover.

- **Pension Contribution.** The Company's defined benefit pension scheme aims at producing a pension of two-thirds final pensionable salary at normal retirement age of 60. The two executive directors are members of the pension scheme and can opt, after age 50, to retire early without actuarial reduction to their pension. Non-executive directors do not participate in the scheme. Pension entitlement is calculated on the salary element of remuneration plus the average of the last three years' bonuses and taxable benefits in kind. The executive directors' pension information is given in the section subject to audit.

The pension entitlement is that which would be paid annually on retirement based on service to the end of the period. Members of the scheme have the option to pay additional voluntary contributions, neither the contributions nor the resulting benefits are included in the table on page 22.

The normal retirement age is 60 with a two-thirds surviving spouse's pension. On death in service a lump sum equal to four times pensionable salary is payable together with a surviving spouse's pension of two-thirds of the director's prospective pension. For death after retirement a spouse's pension of two-thirds of the member's pension is payable plus the balance of a five year guarantee if applicable.

Pensions in payment are guaranteed to be increased annually by 5% or the increase in the Index of Retail Prices (RPI) if less.

Up to 5 April 2006 the Group had established for C N C Holmes a funded unapproved retirement benefit scheme (FURBS) for the element of gross salary in excess of the Inland Revenue limits.

The enactment of the Pensions Act 2004 removes the need to operate a FURBS. C N C Holmes' pension arrangement is now funded by the Group's main pension scheme, the Carr's Milling Industries Pension Scheme 1993.

- **Share Options.** Salary and a bonus scheme are intended as the most significant part of Directors' remuneration; in addition, executive share options can be proposed by the Remuneration Committee and are granted periodically to promote the involvement of senior management in the longer term success of the Company. Options can only be exercised if certain performance criteria are achieved by the Company. These criteria are based on the growth in the Company's adjusted earnings per share in excess of the growth in the retail price index over the performance period by an average 2% per annum for each of the three years in the performance period.

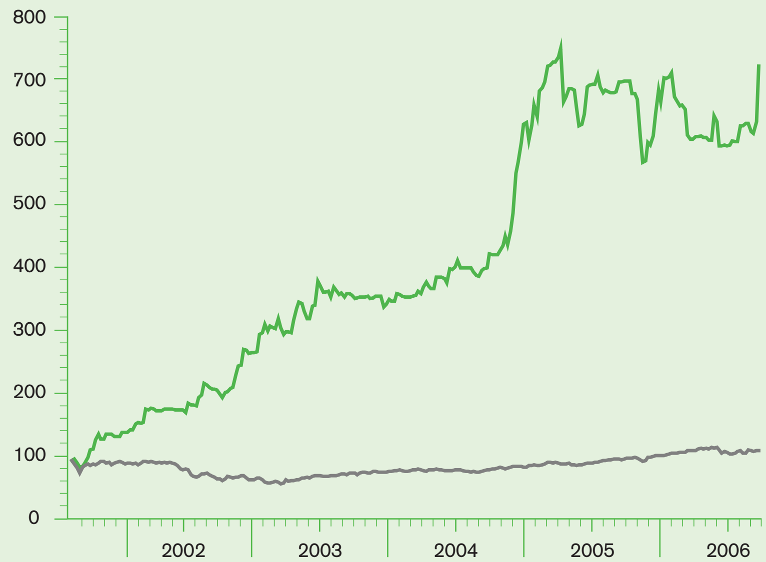
PERFORMANCE GRAPH

The following graph illustrates the Company's total shareholder return performance since 31 August 2001 relative to the FTSE All-share index. The Company considers that the FTSE All-share index to be the most appropriate comparator group as it is a broad index and reflects the Company's broad range of activities.

Carr's Milling Industries

FTSE All-Share Price Index

Source: Datastream



NON-EXECUTIVE REMUNERATION

The remuneration of the non-executive directors is agreed by the Group Board taking into account a number of factors pertinent to their position and role as non-executive directors.

Information subject to audit

DIRECTORS' REMUNERATION

	Fees & Basic Salary £'000	Annual Bonus £'000	Benefits £'000	**Total Emoluments 2006 £'000**	Total Emoluments 2005 £'000	**2006 Pension Contributions £'000**	2005 Pension Contributions £'000	**2006 Gain on Exercise of Share Options £'000**	2005 Gain on Exercise of Share Options £'000
Executive directors									
C N C Holmes	187	93	1	**281**	251	**90**	75	**—**	52
R C Wood	163	81	1	**245**	215	**57**	49	**—**	52
Non-executive directors									
D A Newton	—	—	—	**—**	3	**—**	—	**—**	—
W R Inglewood	40	—	—	**40**	17	**—**	—	**—**	—
A R Heygate	20	—	—	**20**	17	**—**	—	**—**	—
A G M Wannop	20	—	—	**20**	—	**—**	—	**—**	—
	430	174	2	**606**	503	**147**	124	**—**	104

EXECUTIVE DIRECTORS' PENSION INFORMATION

	C N C Holmes	R C Wood
Age at 2 September 2006	54	58
	£'000	£'000
Directors' contributions during the period	1	15
Increase in accrued pension entitlement for the period		
excluding inflation	71	19
including inflation	73	22
Total accrued pension entitlement		
At 2 September 2006	138	133
At 3 September 2005	120	111
Transfer value of pension		
At 2 September 2006	2,237	2,614
At 3 September 2005	1,820	2,013
Increase in transfer value less contributions made by directors	1,203	586
Transfer value of the increase in accrued benefits less contributions made by directors	307	419

Notes

(a) The actuarial assumptions used for calculating transfer values for all members, including the directors, have been amended since the 2005 disclosure. This was necessary to ensure that transfer values (i.e. the cash equivalent value of the accrued benefits) account for recent improvements in life expectancy and the reduction in the long-term yields expected on assets. As a result there is a larger increase in the transfer values than would otherwise be expected.

(b) C N C Holmes joined the approved pension scheme after 1 June 1989 and the part of his benefit promise that was funded through this scheme was therefore previously restricted by the statutory Salary Cap (which was £105,600 for the 2005/06 tax year). The Salary Cap was lifted on 6 April 2006 as a consequence of tax simplification and the whole of the benefit promise is therefore now provided through the approved scheme. The transfer value as at 3 September 2005 included that part of the unapproved benefit that was funded within a separate Funded Unapproved Retirement Benefit Scheme ("FURBS").

SHARE OPTIONS GRANTED TO DIRECTORS

The Company operates an Inland Revenue approved and an unapproved share option scheme to reward employees' performance and to incentivise at senior levels. Exercise is subject to performance conditions.

For all options granted the exercise criterion has been that earnings should achieve growth which exceeds the percentage growth in the Retail Price Index by 2% or more. The rules of the schemes conform to institutional investor guidelines.

The performance criterion, which applies to the executive directors to whom options have been granted under the Schemes, was chosen as it requires significant improvement in financial performance. No options have been granted at a discount to the market price at the date of their grant.

Options to acquire shares in the Company, granted to directors under the Scheme but not exercised, as at 2 September 2006 are:

	At 3 September 2005	Granted during period	**At 2 September 2006**	Exercise price	Date of Grant	Earliest date from which exercisable	Expiry date
C N C Holmes	40,000	—	**40,000**	161.0p	1 May 2002	May 2005	April 2009
	18,500	—	**18,500**	161.0p	1 May 2002	May 2005	April 2012
	—	6,000	**6,000**	502.3p	20 February 2006	February 2009	February 2016
	58,500	6,000	**64,500**				
R C Wood	50,000	—	**50,000**	161.0p	1 May 2002	May 2005	April 2009
	18,500	—	**18,500**	161.0p	1 May 2002	May 2005	April 2012
	—	6,000	**6,000**	502.3p	20 February 2006	February 2009	February 2016
	68,500	6,000	**74,500**				

The middle market closing price of the shares at 2 September 2006 was 568.0p (2 September 2005: 558.5p) and the range throughout the period was 456.5p to 568.5p.

SHARESAVE SCHEME 2006

	At 3 September 2005	Granted during period	**At 2 September 2006**	Average exercise price	Exercise date
C N C Holmes	—	1,951	**1,951**	479.0p	May 2009
R C Wood	—	1,951	**1,951**	479.0p	May 2009

The Directors are eligible, as are other employees of the Group, to participate in the Sharesave scheme, which by its nature does not have performance conditions.

On behalf of the Board

W R Inglewood
Chairman of the Remuneration Committee
21 November 2006

Consolidated Income Statement
for the period ended 2 September 2006

Notes		52 week period 2006 £'000	53 week period 2005 £'000
2,3	**Revenue**	**242,576**	192,124
3	Cost of sales	**(206,658)**	(161,296)
3	**Gross profit**	**35,918**	30,828
3	Net operating expenses	**(28,802)**	(18,564)
3,4	**Group operating profit**	**7,116**	12,264
	Analysed as:		
	Operating profit before non-recurring items and amortisation	**7,987**	7,975
6	Non-recurring items and amortisation	**(871)**	4,289
	Group operating profit	**7,116**	12,264
8	Net finance costs	**(1,011)**	(1,198)
5,6	Share of post-tax profit/(loss) in associate and joint ventures	**218**	(697)
2	**Profit before taxation**	**6,323**	10,369
2,9	Taxation	**(1,989)**	(2,557)
	Profit for the period	**4,334**	7,812
	Profit attributable to minority interest	**139**	329
	Profit attributable to equity shareholders	**4,195**	7,483
		4,334	7,812
	Earnings per share (pence)		
11	Basic	**51.0**	92.1
11	Diluted	**50.4**	90.3

All of the above are derived from continuing operations.

Consolidated and Company Statement of Recognised Income and Expense
for the period ended 2 September 2006

Notes		Group 52 week period 2006 £'000	Group 53 week period 2005 £'000	Company 52 week period 2006 £'000	Company 53 week period 2005 £'000
	Foreign exchange translation differences arising on				
30	translation of overseas subsidiaries	**(150)**	(80)	**—**	—
	Actuarial (losses)/gains on retirement benefit obligation:				
28	- Group	**(3,900)**	(1,543)	**(3,900)**	(1,543)
28	- Share of associate	**206**	(944)	**—**	—
	Taxation credit/(charge) on actuarial movement on retirement benefit obligation:				
19	- Group	**1,170**	463	**1,170**	463
	- Share of associate	**(62)**	283	**—**	—
	Net expenses recognised directly in equity	**(2,736)**	(1,821)	**(2,730)**	(1,080)
	Profit for the period	**4,334**	7,812	**5,536**	2,105
30	**Total recognised income for the period**	**1,598**	5,991	**2,806**	1,025
30	Attributable to minority interest	**139**	329	**—**	—
30	Attributable to equity shareholders	**1,459**	5,662	**2,806**	1,025
		1,598	5,991	**2,806**	1,025

Consolidated and Company Balance Sheet
As at 2 September 2006

Notes		Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
	Assets				
	Non-current assets				
12	Goodwill	**235**	400	**—**	—
12	Other intangible assets	**802**	1,738	**—**	—
13	Property, plant and equipment	**29,172**	28,838	**—**	—
14	Investment property	**794**	822	**—**	—
15,18	Investment in subsidiary undertakings	**—**	—	**12,864**	13,072
15,16	Investment in associate	**982**	445	**1,470**	1,470
15,17	Interest in joint ventures	**704**	172	**272**	172
15	Other investments	**254**	255	**201**	202
	Financial assets				
27	- Derivative financial instruments	**37**	—	**31**	—
21	- Non-current receivables	**208**	223	**—**	—
19	Deferred tax assets	**5,162**	3,962	**4,761**	3,672
		38,350	36,855	**19,599**	18,588
	Current assets				
20	Inventories	**11,944**	12,947	**—**	—
21	Trade and other receivables	**33,546**	35,197	**14,325**	14,048
22	Current tax assets	**1**	87	**900**	602
23	Cash and cash equivalents	**2,292**	3,149	**—**	—
		47,783	51,380	**15,225**	14,650
	Total assets	**86,133**	88,235	**34,824**	33,238
	Liabilities				
	Current liabilities				
	Financial liabilities				
26	- Borrowings	**(9,682)**	(10,666)	**(4,251)**	(7,214)
27	- Derivative financial instruments	**(27)**	—	**(4)**	—
24	Trade and other payables	**(25,387)**	(29,318)	**(1,025)**	(665)
25	Current tax liabilities	**(1,324)**	(1,581)	**—**	—
		(36,420)	(41,565)	**(5,280)**	(7,879)
	Non-current liabilities				
	Financial liabilities				
26	- Borrowings	**(6,512)**	(7,399)	**(5,610)**	(6,503)
27	- Derivative financial instruments	**—**	(106)	**—**	(106)
28	Retirement benefit obligation	**(15,796)**	(12,119)	**(15,796)**	(12,119)
19	Deferred tax liabilities	**(3,600)**	(3,854)	**—**	—
24	Other non-current liabilities	**(1,524)**	(1,287)	**—**	—
		(27,432)	(24,765)	**(21,406)**	(18,728)
	Total liabilities	**(63,852)**	(66,330)	**(26,686)**	(26,607)
	Net assets	**22,281**	21,905	**8,138**	6,631
	Shareholders' equity				
29	Ordinary shares	**2,058**	2,053	**2,058**	2,053
30	Share premium	**5,004**	4,977	**5,004**	4,977
30,31	Equity compensation reserve	**22**	—	**27**	—
30	Foreign exchange reserve	**(230)**	(80)	**—**	—
30	Other reserve	**1,601**	1,632	**—**	—
30	Retained earnings	**11,895**	11,613	**1,049**	(399)
30	**Total shareholders' equity**	**20,350**	20,195	**8,138**	6,631
30	Minority interests in equity	**1,931**	1,710	**—**	—
30	**Total equity**	**22,281**	21,905	**8,138**	6,631

The financial statements set out on pages 24 to 72 were approved by the Board on 21 November 2006 and signed on its behalf by:

Christopher N C Holmes

Ronald C Wood

Consolidated and Company Cash Flow Statement

For the period ended 2 September 2006

Notes		Group 52 week period 2006 £'000	Group 53 week period 2005 £'000	Company 52 week period 2006 £'000	Company 53 week period 2005 £'000
	Cash flows from operating activities				
33	Cash generated from/(used by) operations	**11,069**	6,663	**(332)**	363
	Interest received	**379**	95	**548**	280
	Interest paid	**(1,755)**	(1,195)	**(747)**	(641)
	Tax (paid)/received	**(2,454)**	(1,855)	**(58)**	44
	Net cash generated from/(used by) operating activities	**7,239**	3,708	**(589)**	46
	Cash flows from investing activities				
	Acquisition of subsidiaries (net of cash acquired) - group	**(3)**	(10,256)	**—**	—
	Investment in subsidiaries - company	**—**	—	**—**	(5,527)
	Proceeds from redemption of preference shares in subsidiaries	**—**	—	**233**	—
	Investment in joint ventures	**(710)**	(172)	**(100)**	(172)
	Dividends received from subsidiaries	**—**	—	**3,629**	2,152
	Payment of loans to subsidiaries	**—**	—	**—**	(5,467)
	Payment of loans to joint ventures	**(280)**	—	**(205)**	—
	Purchase of intangible assets	**(9)**	—	**—**	—
	Proceeds from sale of property, plant and equipment	**192**	3,114	**—**	—
	Purchase of property, plant and equipment	**(2,901)**	(3,396)	**—**	—
	Proceeds from sale of investments	**1**	—	**1**	—
	Purchase of investments	**—**	(2)	**—**	—
	Net cash (used by)/generated from investing activities	**(3,710)**	(10,712)	**3,558**	(9,014)
	Cash flows from financing activities				
	Net proceeds from issue of ordinary share capital	**32**	260	**32**	260
	Net proceeds from issue of new bank loans and other borrowings	**—**	13,668	**—**	6,965
	Net proceeds from loans from subsidiaries	**—**	—	**1,779**	2,776
	Finance lease principal repayments	**(1,047)**	(804)	**—**	—
	Repayment of borrowings	**(2,487)**	(1,375)	**(2,550)**	(1,375)
	Dividends paid to shareholders	**(1,358)**	(1,136)	**(1,358)**	(1,136)
	Net cash (used by)/generated from financing activities	**(4,860)**	10,613	**(2,097)**	7,490
	Effects of exchange rate changes	**(88)**	(28)	**(25)**	25
	Net (decrease)/increase in cash and cash equivalents	**(1,419)**	3,581	**847**	(1,453)
23	Cash and cash equivalents at beginning of the period	**2,503**	(1,078)	**(1,730)**	(277)
23	Cash and cash equivalents at end of the period	**1,084**	2,503	**(883)**	(1,730)

Principal Accounting Policies

BASIS OF ACCOUNTING

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations by the European Union (EU) and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

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 consolidated financial statements are prepared under historic cost other than certain assets, which are deemed cost under the transition rules, derivative financial instruments and share based payments, which are included at fair value.

The consolidated financial statements for the period ended 2 September 2006 are the first financial statements to be prepared in accordance with IFRS. IFRS 1 details the requirements and guidance to be used by first time adopters of IFRS in preparing their first IFRS accounts. IFRS 1 requires the Group to select accounting policies at 4 September 2005 and to apply these policies retrospectively from 29 August 2004, the date of transition.

IFRS 1 provides optional exemptions to first time adopters. The exemptions adopted by the Group are as follows:

<u>IFRS 3, Business combinations</u>
Business combinations that took place prior to the date of transition to IFRS have not been restated.

<u>IAS 16, Property, plant and equipment</u>
The Group has opted to use previous revaluations of property made under UK GAAP as deemed cost.

<u>IAS 19, Employee benefits</u>
The Group has opted to recognise in equity all cumulative actuarial gains and losses at the date of transition. The Group has also opted to account for pension benefits under the amendment to IAS 19 issued in December 2004 in which all actuarial gains and losses are recognised in the Statement of Recognised Income and Expense (SORIE). This is consistent with the UK GAAP requirement under FRS 17 'Retirement benefits', the effect of which has been disclosed previously in the Annual Report.

<u>IAS 21, The effects of changes in foreign exchange rates</u>
IFRS 1 permits an exemption where the Group's cumulative foreign exchange translation differences are set to zero at the date of transition. The Group has adopted this exemption. On subsequent disposal of an overseas subsidiary, exchange differences arising after the date of transition will be recycled through the income statement.

<u>IFRS 2, Share-based payments</u>
IFRS 1 permits a company to apply IFRS 2 only to equity-settled share-based awards granted on or after 7 November 2002, which have not vested by the later of the date of transition to IFRS (29 August 2004) and 1 January 2005. The Group has taken advantage of this exemption.

Tables setting out the reconciliation of opening UK GAAP balances to IFRS are provided in note 40.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise Carr's Milling Industries PLC and all its subsidiaries, together with the Group's share of the results of its associate and joint ventures. The financial statements of the subsidiaries, associate and joint ventures are prepared as of the same reporting date using consistent accounting policies. Group inter-company balances and transactions, including any unrealised profits arising from Group inter-company transactions, are eliminated in full.

Results of subsidiary undertakings acquired during the previous financial period were included in the financial statements from the effective date of control. The separable net assets, both tangible and intangible, of the acquired subsidiary undertakings were incorporated into the financial statements on the basis of the fair value as at the effective date of control.

Subsidiaries are entities where the Group has the power to govern the financial and operating policies, generally accompanied by a share of more than 50% of the voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Group and are included until the date on which the Group ceases to control them. Associates are entities over which the Group has significant influence but not control, generally accompanied by a share of between 20% and 50% of the voting rights. Joint ventures are entities over which the Group has joint control, established by contractual agreement. Investments in associates and joint ventures are accounted for using the equity method. If the Group's share of losses in an associate or joint venture equals or exceeds its investment in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

All business combinations are accounted for by applying the purchase method. The cost of a business combination is measured as the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group, together with any costs directly attributable to the combination. The identifiable assets, liabilities and contingent liabilities of the acquiree are measured initially at fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

CURRENCY TRANSLATION

The financial statements for the Group's subsidiaries, associate and joint ventures are prepared using their functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Group and functional currency of Carr's Milling Industries PLC is Sterling.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Exchange 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 consolidated income statement.

The balance sheets of foreign operations are translated into sterling using the exchange rate at the balance sheet date and the income statements are translated into sterling using the average exchange rate for the period. Where this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, the exchange rate on the transaction date is used. Exchange differences arising from 29 August 2004 are recognised as a separate component of shareholders' equity. On disposal of a foreign operation any cumulative exchange differences held in shareholders' equity are transferred to the consolidated income statement.

REVENUE RECOGNITION

Revenue from the sale of goods or services is measured at the fair value of the consideration, net of rebates and excluding value added tax. Revenue from the sale of goods or services is recognised when the Group 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 Group.
In respect of long-term contracts, revenue is calculated on the basis of the stage of completion and the total sales value of each contract.

RETIREMENT BENEFIT OBLIGATIONS

The Group participates in two defined benefit pension schemes, Carr's Milling Industries Pension Scheme 1993 and Carrs Billington Agriculture Pension Scheme. The Group also offers various defined contribution schemes to its employees.

The assets of the above named schemes are held separately from those of the Group and are invested with independent investment managers.

Contributions to defined contribution schemes are charged to the consolidated income statement in the period to which they relate. The liability recognised in the consolidated balance sheet at the period end in respect of defined benefit pension schemes is the present value of the defined benefit obligation and future administration costs at the balance sheet date less the fair value of scheme assets. Independent actuaries calculate the defined benefit obligation annually. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The current service costs, past service costs and gains and losses on settlements and curtailments are included in operating profit in the consolidated income statement.

A charge is made within operating costs representing the expected increase in the liabilities of the pension schemes during the period. This arises from the liabilities of the schemes being one year closer to payment.

A credit representing the expected return on the assets of the pension schemes during the period is netted against the above charge within operating costs. This is based on the market value of the assets of the schemes at the start of the financial period. Actuarial gains and losses are recognised in the consolidated statement of recognised income and expense. The pension schemes' deficits or surpluses, to the extent that they are considered recoverable, are recognised in full on the consolidated balance sheet.

SHARE BASED PAYMENTS

The Group 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 Group'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.

INTEREST

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

SEGMENTAL REPORTING

The Group's primary reporting format is business segments and its secondary format is geographical segments. A business segment is a component of the Group that is engaged in providing a group of related products and is subject to risks and returns that are different from those of other business segments. A geographical segment is a component of the Group that operates within a particular economic environment and this is subject to risks and returns that are different from those of components operating in other economic environments.

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 consolidated 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 Group'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, gains and losses on the disposal of property, plant and equipment, amortisation of intangible assets, the recognition of deferred assets on prior year business combinations and exchange gains and losses on inter-company funding.

GOODWILL

Goodwill arising on consolidation represents the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of the acquisition.

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 resulting from business combinations is credited to the consolidated income statement in the period of acquisition.

Goodwill written off to reserves under UK GAAP prior to 31 August 1998 has not been reinstated and would not form part of the gain or loss on the disposal of a business.

OTHER INTANGIBLE ASSETS

Other intangible assets are carried at cost less accumulated amortisation. Amortisation commences when assets are available for use and is calculated on a straight-line basis over their expected useful lives which are generally as follows:

Customer relationships	3 - 5 years
Brands	20 years
Know-how	5 years
Patents and trademarks	over contractual 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.

All research costs are recognised in the consolidated income statement as incurred. Development costs are recognised as an asset only to the extent that specific recognition criteria, as set out in IAS38 'Intangible assets', relevant to the proposed application are met and the amount recognised is recoverable through future economic benefits.

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.

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	5 to 20 years
Computer hardware/software	3 to 5 years
Vehicles	4 to 10 years
Fixtures and fittings	3 to 5 years

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

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

INVESTMENT PROPERTY

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

Freehold buildings	up to 50 years

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.

IMPAIRMENT OF ASSETS

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group 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 deemed 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 money are used for the value in use calculation.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Where appropriate, cost is calculated on a specific identification basis. Otherwise inventories are valued using the first-in first-out method. Contract work in progress is measured at the selling price of the work performed at the balance sheet date. The selling price is measured by reference to the stage of completion at the balance sheet date and total expected income from the contract work.

The stage of completion is determined as the proportion that contract costs incurred for work performed to date bear to the total estimated total contract costs. Amounts invoiced for work completed are deducted from the selling price, while amounts invoiced in excess of work completed are recognised as current liabilities.

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 consolidated cash flow statement comprise cash at bank and in hand, money market deposits and other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are presented in borrowings within current liabilities in the consolidated balance sheet.

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

Revenue grants and contributions are taken to the consolidated income statement in the period to which they apply.

PROVISIONS
Provisions are recognised when a present legal or constructive obligation exists, as a result of past events, where it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably measured.

Provisions for restructuring are recognised for direct expenditure on business reorganisations where plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken on or before the balance sheet date. Provisions are discounted where the time value of money is considered material.

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

Rentals paid under operating leases are charged to the consolidated 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.

TAX
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 consolidated financial statements. Deferred tax arising from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, is not recognised. Deferred tax is measured using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the asset is realised or the liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax is recognised in the consolidated 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 consolidated statement of recognised income and expense.

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 Group's consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables
Trade receivables are recorded at their nominal amount less an allowance for doubtful debts.

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.

Financial liability and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank borrowings
Interest-bearing loans and overdrafts 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 and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables
Trade payables are stated at their nominal value.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedging activities
The Group primarily uses interest rate swaps, caps and collars and forward foreign currency contracts to manage its exposures to fluctuating interest and foreign exchange rates. These instruments are initially recognised at fair value and are subsequently re-measured at their fair value at each balance sheet date. The Group does not designate derivatives as hedge instruments and therefore does not adopt hedge accounting. As a result changes in the fair value of derivative financial instruments are recognised in the consolidated income statement as they arise.

The Group does not use derivatives to hedge balance sheet and income statement translation exposures. Where appropriate, borrowings are arranged in local currencies to provide a natural hedge against overseas assets.

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:

IFRS 7 "Financial instruments: Disclosures", and related amendment to IAS 1 on capital disclosures, which is effective for periods commencing on or after 1 January 2007.

Amendment to IAS 39 and IFRS 4 "Financial guarantee contracts", which is effective for periods commencing on or after 1 January 2006.

SIGNIFICANT JUDGEMENTS, KEY ASSUMPTIONS AND ESTIMATES
Application of certain Group accounting policies requires management to make judgements, assumptions and estimates concerning the future as detailed below.

Valuation of pension obligations
The deficit on the Group's defined benefit pension scheme is determined each year following advice from the Group's actuary and can fluctuate based on a number of external factors over which management have no control. Such factors include:

Major assumptions as shown in the table in note 28; and
Actual returns on scheme assets compared to those predicted in the previous scheme valuation.

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 31. Estimations of vesting and satisfaction of performance criteria are required to determine fair value.

Impairment of goodwill
The carrying value of goodwill must be assessed for impairment annually. This requires an estimation of the value in use of the cash generating units to which goodwill is allocated. Value in use is dependent on estimations of future cash flows from the cash generating unit and the use of an appropriate discount rate to discount those cash flows to their present value.

No impairment has been identified in the period.

Provision for impairment of trade receivables
The financial statements include a provision for impairment of trade receivables 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.

1 The Company has taken advantage of the exemption, under section 230 of the Companies Act 1985, from presenting its own income statement. The profit after tax for the period dealt with in the accounts of the Company was £5,536,000 (2005: £2,105,000).

2 **SEGMENTAL REPORTING**

Primary reporting format - business segments

The segment results for the period ended 2 September 2006 are as follows:

	Agriculture £'000	Food £'000	Engineering £'000	Other £'000	Group £'000
Total gross segment revenue	174,793	55,703	12,345	213	243,054
Inter-segment revenue	(301)	(3)	(174)	—	(478)
Revenue	174,492	55,700	12,171	213	242,576
Operating profit before retirement benefit charge*	4,954	2,506	1,055	(325)	8,190
Analysed as:					
Before non-recurring items and amortisation	4,998	3,333	1,055	(325)	9,061
Non-recurring items and amortisation	(44)	(827)	—	—	(871)
	4,954	2,506	1,055	(325)	8,190
Retirement benefit charge*					(1,074)
Net finance costs					(1,011)
Share of post-tax profit of associate					393
Share of post-tax loss of joint ventures					(175)
Profit before taxation					6,323
Taxation					(1,989)
Profit for the period					4,334
Segment assets	39,974	28,723	8,341	784	77,822
Unallocated assets					
- Investment in associate					982
- Investment in joint ventures					704
- Other investments					254
- Income tax assets					5,163
Total assets					84,925

Total assets in the above analysis represents total assets as disclosed in the balance sheet of £86,133,000 less bank overdrafts of £1,208,000.

	Agriculture £'000	Food £'000	Engineering £'000	Other £'000	Group £'000
Segment liabilities	18,643	5,128	1,979	1,188	26,938
Unallocated liabilities					
- Group borrowings					14,986
- Retirement benefit obligation*					15,796
- Income tax liabilities					4,924
Total liabilities					62,644

Total liabilities in the above analysis represents total liabilities as disclosed in the balance sheet of £63,852,000 less bank overdrafts of £1,208,000.

Other segment items

	Agriculture £'000	Food £'000	Engineering £'000	Other £'000	Group £'000
Capital expenditure					
- Property, plant and equipment	1,782	2,029	141	53	4,005
- Other intangible assets	50	—	—	—	50
Depreciation	1,349	1,664	279	127	3,419
Loss/(profit) on the disposal of property, plant and equipment	16	10	(2)	3	27
Amortisation of intangible assets	128	826	32	—	986

* It is not possible to allocate the assets and liabilities of the defined benefit pension scheme across the segments. Therefore, this is shown as a reconciling item.

2 SEGMENTAL REPORTING CONTINUED

Primary reporting format - business segments

The segment results for the period ended 3 September 2005 are as follows:

	Agriculture £'000	Food £'000	Engineering £'000	Other £'000	Group £'000
Total gross segment revenue	132,745	48,006	11,297	259	192,307
Inter-segment revenue	(83)	(2)	(98)	—	(183)
Revenue	132,662	48,004	11,199	259	192,124
Operating profit before retirement benefit charge*	5,866	2,441	4,874	15	13,196
Analysed as:					
Before non-recurring items and amortisation	5,866	2,262	764	15	8,907
Non-recurring items and amortisation	—	179	4,110	—	4,289
	5,866	2,441	4,874	15	13,196
Retirement benefit charge*					(932)
Net finance costs					(1,198)
Share of post-tax loss of associate:					
- normal					(70)
- non-recurring					(627)
Profit before taxation					10,369
Taxation					(2,557)
Profit for the period					7,812
Segment assets	45,126	29,145	8,857	(460)	82,668
Unallocated assets					
- Investment in associate					445
- Investment in joint ventures					172
- Other investments					255
- Income tax assets					4,049
Total assets					87,589

Total assets in the above analysis represents total assets as disclosed in the balance sheet of £88,235,000 less bank overdrafts of £646,000.

	Agriculture £'000	Food £'000	Engineering £'000	Other £'000	Group £'000
Segment liabilities	21,757	5,529	2,641	784	30,711
Unallocated liabilities					
- Group borrowings					17,419
- Retirement benefit obligation*					12,119
- Income tax liabilities					5,435
Total liabilities					65,684

Total liabilities in the above analysis represents total liabilities as disclosed in the balance sheet of £66,330,000 less bank overdrafts of £646,000.

Other segment items

	Agriculture £'000	Food £'000	Engineering £'000	Other £'000	Group £'000
Capital expenditure (including acquisitions)					
- Property, plant and equipment	3,432	6,961	2,930	130	13,453
- Investment property	—	657	—	—	657
- Other intangible assets	172	2,451	—	—	2,623
Depreciation	1,228	1,589	137	101	3,055
Loss/(profit) on the disposal of property, plant and equipment	11	(5)	(4,131)	(74)	(4,199)
Amortisation of intangible assets	—	997	32	—	1,029

* It is not possible to allocate the assets and liabilities of the defined benefit pension scheme across the segments. Therefore, this is shown as a reconciling item.

2 SEGMENTAL REPORTING CONTINUED

Secondary reporting format - geographical segments

	Revenue		Segment assets		Capital Expenditure	
	2006 £'000	2005 £'000	**2006 £'000**	2005 £'000	**2006 £'000**	2005 £'000
UK	**231,810**	184,721	**74,984**	79,772	**3,609**	16,617
Other	**10,766**	7,403	**2,838**	2,896	**446**	116
	242,576	192,124	**77,822**	82,668	**4,055**	16,733

The geographical analysis of revenue is presented by revenue origin. There is no material difference between revenue by origin and revenue by destination.

3 REVENUE, COST OF SALES, OTHER OPERATING INCOME AND NET OPERATING EXPENSES

		2006		2005	
		£'000	**£'000**	£'000	£'000
Revenue			**242,576**		192,124
Cost of sales			**(206,658)**		(161,296)
Gross profit			**35,918**		30,828
Net operating expenses:					
Distribution costs		**(17,192)**		(13,188)	
Administrative expenses	- normal	**(10,739)**		(9,665)	
	- non-recurring items and amortisation (see note 6)	**(871)**		4,289	
		(11,610)		(5,376)	
			(28,802)		(18,564)
Group operating profit			**7,116**		12,264

4 GROUP OPERATING PROFIT

	2006 £'000	2005 £'000
Group operating profit is stated after charging/(crediting):		
Amortisation of grants	**(18)**	(50)
Profit on disposal of investments	**(1)**	—
Loss/(profit) on disposal of property, plant and equipment	**27**	(4,199)
Depreciation of property, plant and equipment held under finance lease	**746**	558
Depreciation of owned property, plant and equipment	**2,645**	2,490
Depreciation of owned investment property	**28**	7
Amortisation of intangible assets	**986**	1,029
Foreign exchange gains	**(86)**	(28)
Derivative financial instruments losses	**27**	6
Operating lease charges:		
Plant and machinery	**604**	233
Other	**25**	12
Auditors remuneration:		
Audit services (Company £10,000; 2005 £10,000)	**179**	149
Accounting advisory services (IFRS transition)	**32**	—
Tax services (including IFRS transition services)	**92**	71

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

Rental income	**33**	33
Operating expenses	**(65)**	(46)
	(32)	(13)

5 SHARE OF POST-TAX PROFIT/(LOSS) IN ASSOCIATE AND JOINT VENTURES

		2006 £'000	2005 £'000
Share of post-tax profit/(loss) in associate	- normal	**393**	(70)
	- non-recurring items and amortisation (see note 6)	**—**	(627)
		393	(697)
Share of post-tax loss in joint ventures	- normal	**(46)**	—
	- non-recurring items and amortisation (see note 6)	**(129)**	—
		(175)	—
Total share of post-tax profit/(loss) in associate and joint ventures		**218**	(697)

6 NON-RECURRING ITEMS AND AMORTISATION

	2006 Amount £'000	2006 Tax credit £'000	2005 Amount £'000	2005 Tax credit £'000
Group operating profit:				
Cost of reorganising food division	**—**	**—**	(350)	105
Profit on disposal of property, plant and equipment	**—**	**—**	4,110	(719)
Immediate recognition of negative goodwill	**77**	**—**	1,526	—
Amortisation of intangible assets	**(948)**	**284**	(997)	299
	(871)	**284**	4,289	(315)
Share of post-tax (loss)/profit in associate and joint ventures:				
Cost of reorganising associate, net of tax	**—**	**—**	(627)	—
Amortisation of intangible asset and impairment of goodwill recognised in joint ventures, net of tax	**(129)**	**—**	—	—
Total non-recurring items and amortisation	**(1,000)**	**284**	3,662	(315)

	2006 £'000	2005 £'000
Profit before taxation	**6,323**	10,369
Non-recurring items and amortisation	**(1,000)**	3,662
Adjusted profit before taxation	**7,323**	6,707
Group operating profit	**7,116**	12,264
Non-recurring items and amortisation	**(871)**	4,289
Adjusted Group operating profit	**7,987**	7,975

7 STAFF COSTS

	2006 £'000	2005 £'000
Wages and salaries	**17,888**	15,398
Social security costs	**1,782**	1,653
Other pension costs	**2,120**	1,912
Cost of share based awards	**27**	—
	21,817	18,963

Included within other pension costs is £1,074,000 (2005: £932,000) in respect of the defined benefit pension scheme.

The average monthly number of employees, including directors and key management personnel, during the period was made up as follows:

	2006 Number	2005 Number
Sales, office and management	**433**	365
Manufacture and distribution	**304**	294
	737	659

Full details of the directors' emoluments, pension benefits and share options are given in the Directors' Remuneration Report.

8 NET FINANCE COSTS

	2006 £'000	2005 £'000
Interest expense		
Interest payable on bank overdrafts	**(355)**	(515)
Interest payable on bank loans and other borrowings	**(939)**	(437)
Interest payable on finance leases and hire purchase contracts	**(128)**	(111)
Other interest	**(110)**	(122)
Total interest expense	**(1,532)**	(1,185)
Other finance income/(costs)		
Movement in fair value of interest related derivative instruments (note 27)	**143**	(106)
Total other finance income/(costs)	**143**	(106)
Interest income		
Bank interest	**366**	75
Other interest	**12**	18
Total interest income	**378**	93
Net finance costs	**(1,011)**	(1,198)

9 TAXATION

	2006 £'000	2005 £'000
(a) Analysis of the charge in the period		
Current tax:		
UK corporation tax		
Current period	**1,861**	1,797
Prior period	**(711)**	24
Foreign tax		
Current period	**514**	270
Consortium relief		
Prior period	**625**	—
Group current tax	**2,289**	2,091
Deferred tax:		
Origination and reversal of timing differences	**(300)**	466
Group deferred tax	**(300)**	466
Tax on profit on ordinary activities	**1,989**	2,557

(b) Factors affecting tax charge for the period

The tax assessed for the period is higher (2005: lower) than the rate of corporation tax in the UK (30%). The differences are explained below:

	2006 £'000	2005 £'000
Profit before tax	**6,323**	10,369
Tax at 30%	**1,897**	3,111
Effects of:		
Tax effect of share of (loss)/profit in associate and joint ventures	**(65)**	209
Tax effect of expenses/(income) that are not deductible/(allowable) in determining taxable profit	**204**	(1,510)
Tax on rolled over gain	**—**	719
Effects of different tax rates of foreign subsidiaries	**11**	30
Effects of changes in tax rates of subsidiaries	**(3)**	(43)
(Over)/under provision in prior years	**(55)**	16
Other	**—**	25
Total tax charge for the period	**1,989**	2,557

10 DIVIDENDS

Equity	2006 £'000	2005 £'000
Final dividend for the period ended 3 September 2005 of 11.0p per 25.0p share (2004: 9.0p)	**905**	730
Interim paid of 5.5p per 25.0p share (2005: 5.0p)	**453**	406
	1,358	1,136

The proposed dividend to be considered by shareholders at the Annual General Meeting is £1,029,197, being 12.5p per share, making a total for the year of 18.0p.

11 EARNINGS PER ORDINARY SHARE

Earnings per share are calculated by reference to a weighted average of 8,227,329 shares (2005: 8,127,328) in issue during the period.

Non-recurring costs and amortisation that are charged or credited to profit do not relate to the profitability of the Group on an ongoing basis. Therefore an adjusted earnings per share is presented as follows:

	2006 Earnings £'000	2006 Earnings per share pence	2005 Earnings £'000	2005 Earnings per share pence
Earnings per share - basic	**4,195**	**51.0**	7,483	92.1
Non-recurring items and intangible asset amortisation:				
Cost of reorganising food division	—	—	350	4.3
Cost of reorganising associate, net of tax	—	—	627	7.7
Profit on disposal of property, plant and equipment	—	—	(4,110)	(50.5)
Immediate recognition of negative goodwill	**(77)**	**(0.9)**	(1,526)	(18.8)
Amortisation of intangible asset	**948**	**11.5**	997	12.2
Amortisation of intangible asset and impairment of goodwill recognised in joint ventures, net of tax	**129**	**1.6**	—	—
Taxation arising on non-recurring items	**(284)**	**(3.5)**	315	3.9
Earnings per share - adjusted	**4,911**	**59.7**	4,136	50.9

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The potentially dilutive ordinary shares, where the exercise price is less than the average market price of the Company's ordinary shares during the period, are disclosed in note 31.

	2006 Earnings £'000	2006 Weighted average number of shares	2006 Earnings per share pence	2005 Earnings £'000	2005 Weighted average number of shares	2005 Earnings per share pence
Earnings per share	**4,195**	**8,227,329**	**51.0**	7,483	8,127,328	92.1
Effect of dilutive securities:						
Options	—	**97,288**	**(0.6)**	—	158,591	(1.8)
Save as you earn (SAYE)	—	**3,949**	—	—	—	—
Diluted earnings per share	**4,195**	**8,328,566**	**50.4**	7,483	8,285,919	90.3

12 GOODWILL AND OTHER INTANGIBLE ASSETS

Group	Goodwill £'000	Customer relationships £'000	Brands £'000	Know-how £'000	Patents and trademarks £'000	Total £'000
Cost						
As at 29 August 2004	173	—	—	160	—	333
Additions	360	2,266	357	—	—	2,983
Disposals	(73)	—	—	—	—	(73)
At 3 September 2005	**460**	**2,266**	**357**	**160**	**—**	**3,243**
Re-assessment of deferred consideration	(245)	—	—	—	—	(245)
Additions	80	—	—	—	50	130
As at 2 September 2006	**295**	**2,266**	**357**	**160**	**50**	**3,128**
Amortisation						
At 29 August 2004	133	—	—	16	—	149
Charge for the period	—	969	28	32	—	1,029
Disposals	(73)	—	—	—	—	(73)
At 3 September 2005	**60**	**969**	**28**	**48**	—	**1,105**
Charge for the period	—	913	35	32	6	986
At 2 September 2006	**60**	**1,882**	**63**	**80**	**6**	**2,091**
Net book value						
At 28 August 2004	40	—	—	144	—	184
At 3 September 2005	400	1,297	329	112	—	2,138
At 2 September 2006	**235**	**384**	**294**	**80**	**44**	**1,037**

Goodwill of £80,000 arose during the period on the purchase of further shares in Northern Feeds Solutions Limited.

Goodwill brought forward at 4 September 2005 includes deferred consideration of £322,000 on the acquisition of Wallace Oils Holdings Limited. The directors estimate that the likelihood of the deferred consideration becoming payable is now remote. This has resulted in the creation of negative goodwill of £76,810 which has been credited to the income statement during the period. This change in accounting estimate has been accounted for prospectively in accordance with IAS 8.

Goodwill is tested annually for impairment, or more frequently if there are indications that goodwill might be impaired. No impairment has been identified in the period.

Customer relationships are being amortised in line with the profit streams generated over the life of the relationship. The life of the relationships range between three and five years.

Brands are being amortised on a straight line basis over a twenty year period, being the directors' estimate of the useful economic life.

Know-how is being amortised on a straight line basis over five years, being the directors' estimate of the useful economic life.

Patents and trademarks are being amortised over their contractual life.

There is no goodwill or intangible assets in the company.

13 PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings £'000	Plant and equipment £'000	Assets in course of construction £'000	Total £'000
Cost				
At 29 August 2004	11,692	24,973	567	37,232
Exchange differences	(24)	(86)	(4)	(114)
Subsidiaries acquired	4,214	9,411	—	13,625
Additions	2,740	2,245	1,154	6,139
Disposals	(1,276)	(1,390)	—	(2,666)
Reclassifications	31	1,216	(1,247)	—
At 3 September 2005	**17,377**	**36,369**	**470**	**54,216**
Exchange differences	(27)	(5)	—	(32)
Additions	285	3,358	362	4,005
Disposals	(22)	(1,957)	—	(1,979)
Reclassifications	456	9	(465)	—
At 2 September 2006	**18,069**	**37,774**	**367**	**56,210**
Depreciation				
At 29 August 2004	2,160	15,512	—	17,672
Exchange differences	(6)	(43)	—	(49)
Subsidiaries acquired	369	5,942	—	6,311
Charge for the period	520	2,528	—	3,048
Disposals	(371)	(1,233)	—	(1,604)
At 3 September 2005	**2,672**	**22,706**	**—**	**25,378**
Exchange differences	(6)	34	—	28
Charge for the period	518	2,873	—	3,391
Disposals	(22)	(1,737)	—	(1,759)
At 2 September 2006	**3,162**	**23,876**	**—**	**27,038**
Net book value				
At 28 August 2004	9,532	9,461	567	19,560
At 3 September 2005	14,705	13,663	470	28,838
At 2 September 2006	**14,907**	**13,898**	**367**	**29,172**

Freehold land amounting to £2,261,045 (2005: £2,261,045) has not been depreciated.

Land and buildings acquired from business combinations in the prior period were professionally valued as part of the fair value accounting.

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

	2006 £'000	2005 £'000
The net book value of land and buildings comprises:		
Freehold	**11,694**	11,369
Long leasehold	**3,213**	3,336

The net book value of plant and equipment includes £2,723,049 (2005: £2,535,253) in respect of assets held under finance leases.

The company has no property, plant and equipment.

14 INVESTMENT PROPERTY

Group	Land and buildings £'000
Cost	
At 29 August 2004	211
Subsidiaries acquired	685
At 3 September 2005 and 2 September 2006	**896**
Depreciation	
At 29 August 2004	39
Subsidiaries acquired	28
Charge for the period	7
At 3 September 2005	**74**
Charge for the period	28
At 2 September 2006	**102**
Net book value	
At 28 August 2004	172
At 3 September 2005	822
At 2 September 2006	**794**

Included within investment property are properties occupied by life tenants. The net book value of these properties at 2 September 2006 is £242,000 (2005: £251,000).

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

There is no investment property in the company.

15 INVESTMENTS

Group	Joint ventures £'000	Associate £'000	Other investments £'000	Total £'000
Cost				
At 4 September 2005	172	445	273	890
Exchange difference	(3)	—	—	(3)
Additions	710	—	—	710
Disposals	—	—	(10)	(10)
Share of post-tax (loss)/profit	(175)	393	—	218
Share of recognised gains	—	144	—	144
At 2 September 2006	**704**	**982**	**263**	**1,949**
Provision for impairment				
At 4 September 2005	—	—	18	18
Disposals	—	—	(9)	(9)
At 2 September 2006	**—**	**—**	**9**	**9**
Net book value				
At 3 September 2005	172	445	255	872
At 2 September 2006	**704**	**982**	**254**	**1,940**

Company	Joint ventures £'000	Associate £'000	Shares in subsidiaries £'000	Other investments £'000	Total £'000
Cost					
At 4 September 2005	172	1,470	18,158	211	20,011
Share awards granted to employees of subsidiary undertakings	—	—	25	—	25
Additions	100	—	—	—	100
Disposals	—	—	—	(10)	(10)
Redemption of preference shares	—	—	(233)	—	(233)
At 2 September 2006	**272**	**1,470**	**17,950**	**201**	**19,893**
Provision for impairment					
At 4 September 2005	—	—	5,086	9	5,095
Disposals	—	—	—	(9)	(9)
At 2 September 2006	**—**	**—**	**5,086**	**—**	**5,086**
Net book value					
At 3 September 2005	172	1,470	13,072	202	14,916
At 2 September 2006	**272**	**1,470**	**12,864**	**201**	**14,807**

Other investments comprise shares in several private limited companies. As a result of adoption of IAS32 and IAS39, these investments have been classified as unquoted investments for which fair value cannot be reliably measured and are held at cost. There has been no impact on the total value of these assets.

During the period a new joint venture company was formed, Bibby Agriculture Limited, with Carrs Billington Agriculture (Sales) Limited being a 50% shareholder and Wynnstay Group PLC and Welsh Feed Producers Limited each having a 25% shareholding. The joint venture markets and sells animal feed, fertilisers and other farm requirements in Wales.

During the period a new joint venture company was formed, Afgritech Limited, with Carr's Milling Industries PLC being a 50% shareholder and Afgri Operations SA being the other 50% shareholder. The joint venture will produce ingredients for animal feed.

During the period preference share capital in several subsidiaries were redeemed at par.

The Group's investment in the associate at 4 September 2005 has been revised from £800,000, which was disclosed in the Group's IFRS transition document issued in April 2006, to £445,000 following the finalisation of the fair values of the assets and liabilities acquired from W & J Pye Limited in 2005 and adjustments made to taxation in the associate on transition to IFRS.

16 INVESTMENT IN ASSOCIATES

The associated undertakings at 2 September 2006 are:

Group and company

Name	Proportion of shares held Ordinary %	Country of incorporation	Activity
Carrs Billington Agriculture (Operations) Limited	49	England	Manufacture of animal feed

Associates are accounted for using the equity method.

The aggregate amounts relating to associates, of which the group recognises 49%, are:

	2006 £'000	2005 £'000
Total assets	**22,367**	27,350
Total liabilities	**(22,864)**	(28,942)
Revenues	**69,744**	45,775
Profit/(loss) after tax	**803**	(1,423)

17 INTEREST IN JOINT VENTURES

The joint ventures at 2 September 2006 are:

Group

	Proportion of shares held			
Name	Ordinary %	Preference %	Country of incorporation	Activity
Crystalyx Products GmbH	50	—	Germany	Manufacture of animal feed blocks
Bibby Agriculture Limited	26	17	England	Sale of agricultural products
Afgritech Limited	50	—	England	Producers of ingredients of animal feed

Crystalyx Products GmbH has a 31 December accounting period end.

Interests in the joint ventures listed above are held directly by the holding company with the following exception: Carrs Billington Agriculture (Sales) Limited holds 50% of the ordinary share capital and 33% of the preference share capital in Bibby Agriculture Limited.

Joint ventures are accounted for using the equity method.

The aggregate amounts included in the financial statements relating to the Group's share of joint ventures are:

	2006 £'000	2005 £'000
Non-current assets	**1,629**	172
Current assets	**1,542**	—
Current liabilities	**(2,116)**	—
Non-current liabilities	**(931)**	—
Income	**8,045**	—
Expenses	**(8,197)**	—
Net finance costs	**(23)**	—

18 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Name	Proportion of Shares Held Ordinary %	Country of incorporation	Activity
Carrs Agriculture Ltd.	100	England	Manufacture of animal feed blocks and fertiliser
Carrs Billington Agriculture (Sales) Ltd.	51	England	Agricultural retailers
Animal Feed Supplement Inc.	100	USA	Manufacture of animal feed blocks
Northern Feeds Solutions Ltd.	51	England	Agricultural retailers
Carr's Flour Mills Ltd.	100	England	Flour milling
Carrs Engineering Ltd.	100	England	Engineering
Bowie and Aram Ltd.	100	Scotland	Travel agents
B.R.B. Trust Ltd.	100	England	Financial services
Carrs Properties Ltd.	100	England	Property holding

Investments in the subsidiaries listed above are held directly by the holding company with the following exceptions: Northern Feeds Solutions Limited is held by Carrs Billington Agriculture (Sales) Limited.

During the period Carrs Billington Agriculture (Sales) Limited increased its shareholding in Northern Feeds Solutions Limited to 100%.

Dormant subsidiaries are not shown above because disclosure would be excessively lengthy. A full list of subsidiary undertakings will be annexed to the Company's next annual return.

19 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2006 £'000**	2005 £'000	**2006 £'000**	2005 £'000	**2006 £'000**	2005 £'000
Accelerated tax depreciation	**—**	—	**(2,692)**	(2,846)	**(2,692)**	(2,846)
Employee benefits	**4,739**	3,636	**—**	—	**4,739**	3,636
Other	**423**	326	**(908)**	(1,008)	**(485)**	(682)
Tax assets/(liabilities)	**5,162**	3,962	**(3,600)**	(3,854)	**1,562**	108

Movement in deferred tax during the period

	At 4 September 2005 £'000	Exchange differences £'000	Recognised in income £'000	Recognised in equity £'000	**At 2 September 2006 £'000**
Accelerated tax depreciation	(2,846)	—	154	—	**(2,692)**
Employee benefits	3,636	—	(67)	1,170	**4,739**
Other	(682)	(16)	213	—	**(485)**
	108	(16)	300	1,170	**1,562**

Movement in deferred tax during the prior period	At 29 August 2004 £'000	Exchange differences £'000	In respect of acquisitions £'000	Recognised in income £'000	Recognised in equity £'000	At 3 September 2005 £'000
Accelerated tax depreciation	(1,073)	—	(2,067)	294	—	(2,846)
Employee benefits	3,282	—	—	(109)	463	3,636
Other	(25)	(12)	6	(651)	—	(682)
	2,184	(12)	(2,061)	(466)	463	108

19 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Company	**Assets 2006 £'000**	**Assets 2005 £'000**
Employee benefits	**4,739**	3,636
Other	**22**	36
Tax assets	**4,761**	3,672

Movement in deferred tax during the period	At 4 September 2005 £'000	Recognised in income £'000	Recognised in equity £'000	**At 2 September 2006 £'000**
Employee benefits	3,636	(67)	1,170	**4,739**
Other	36	(14)	—	**22**
	3,672	(81)	1,170	**4,761**

Movement in deferred tax during the prior period	At 29 August 2004 £'000	Recognised in income £'000	Recognised in equity £'000	At 3 September 2005 £'000
Accelerated tax depreciation	1	(1)	—	—
Employee benefits	3,282	(109)	463	3,636
Other	—	36	—	36
	3,283	(74)	463	3,672

20 INVENTORIES

Group	2006 £'000	2005 £'000
Raw materials and consumables	**5,364**	4,574
Work in progress	**695**	1,784
Finished goods and goods for resale	**5,885**	6,589
	11,944	12,947

Inventories is stated after a provision for impairment of £276,000 (2005: £232,000).

Cost of sales consists of the following:

	2006 £'000	2005 £'000
Material cost	**191,362**	148,586
Processing cost	**5,024**	4,690
Other	**10,272**	8,020
	206,658	161,296

The company has no inventories.

21 TRADE AND OTHER RECEIVABLES

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Current:				
Trade receivables	**29,704**	32,042	**—**	—
Amounts recoverable on contracts	**22**	189	**—**	—
Amounts owed by Group undertakings (note 39)	**—**	—	**13,933**	13,913
Amounts owed by other related parties (note 39)	**616**	409	**209**	—
Other receivables	**2,029**	1,172	**36**	47
Prepayments and accrued income	**1,175**	1,385	**147**	88
	33,546	35,197	**14,325**	14,048
Non-current:				
Other receivables	**208**	223	**—**	—
	208	223	**—**	—

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Trade receivables is stated after a provision for impairment of £3,061,000 (2005: £2,761,000).

22 CURRENT TAX ASSETS

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Corporation tax recoverable	**1**	87	**657**	410
Group taxation relief	**—**	—	**243**	192
	1	87	**900**	602

23 CASH AND CASH EQUIVALENTS AND BANK OVERDRAFTS

	Group		Company	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Cash and cash equivalents per the balance sheet	**2,292**	3,149	**—**	—
Bank overdrafts (note 26)	**(1,208)**	(646)	**(883)**	(1,730)
Cash and cash equivalents per the cash flow statement	**1,084**	2,503	**(883)**	(1,730)

24 TRADE AND OTHER PAYABLES

	Group		Company	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Current:				
Trade payables	**15,034**	17,242	**—**	—
Payments on account	**1,100**	1,481	**—**	—
Amounts owed to Group undertakings (note 39)	**—**	—	**18**	122
Amounts owed to other related parties (note 39)	**3,499**	5,787	**—**	—
Other taxes and social security payable	**1,370**	1,214	**213**	136
Other payables	**1,640**	1,310	**200**	67
Accruals and deferred income	**2,744**	2,284	**594**	340
	25,387	29,318	**1,025**	665
Non-current:				
Other payables	**1,358**	1,103	**—**	—
Accruals and deferred income	**166**	184	**—**	—
	1,524	1,287	**—**	—

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

Included within non-current accruals and deferred income is the following in respect of government grants:

	Group		Company	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
At the beginning of the period	**184**	244	**—**	—
Arising on acquisitions	**—**	25	**—**	—
Amortisation in the period	**(18)**	(50)	**—**	—
Provision for repayment	**—**	(35)	**—**	—
At the end of the period	**166**	184	**—**	—

25 CURRENT TAX LIABILITIES

	Group		Company	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Current tax	**722**	1,581	**—**	—
Consortium tax relief	**602**	—	**—**	—
	1,324	1,581	**—**	—

26 BORROWINGS

	Group		Company	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Current:				
Bank overdrafts	**1,208**	646	**883**	1,730
Bank loans and other borrowings	**6,409**	7,995	**893**	1,293
Loans from group undertakings	**—**	—	**2,475**	4,191
Other loans	**1,225**	1,225	**—**	—
Finance leases	**840**	800	**—**	—
	9,682	10,666	**4,251**	7,214
Non-current:				
Bank loans	**5,610**	6,503	**5,610**	6,503
Other loans	**30**	31	**—**	—
Finance leases	**872**	865	**—**	—
	6,512	7,399	**5,610**	6,503
Borrowings are repayable as follows:				
On demand or within one year	**9,682**	10,666	**4,251**	7,214
In the second year	**1,082**	1,493	**493**	893
In the third to fifth years inclusive	**5,430**	5,906	**5,117**	5,610
	16,194	18,065	**9,861**	13,717

Group and company borrowings are shown in the balance sheet net of arrangement fees of £22,458 of which £7,000 is deducted from current liabilities (2005: £29,459 of which £7,000 is deducted from current liabilities).

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Finance leases are repayable as follows:				
On demand or within one year	**840**	800	**—**	—
In the second year	**559**	569	**—**	—
In the third to fifth years inclusive	**313**	296	**—**	—
	1,712	1,665	**—**	—
The net borrowings are:				
Borrowings as above	**16,194**	18,065	**9,861**	13,717
Cash and cash equivalents	**(2,292)**	(3,149)	**—**	—
Net borrowings	**13,902**	14,916	**9,861**	13,717

Finance lease obligations are secured on the assets to which they relate. Bank loans and other borrowings includes an amount of £5,516,000 (2005: £6,703,000) which is secured on trade debtors. The Company, together with certain subsidiaries, act as guarantors on the bank loans.

Other loans are non-interest bearing and have no fixed date for repayment. The bank loans are repayable by instalments and the overdraft is repayable on demand.

Non-current bank loans includes a revolving credit facility of £4.5 million which is not repayable until October 2009.

27 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The main risk from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged throughout the period.

Interest rate risk

The Group finances its operations through a mixture of retained earnings and bank borrowings. The Group borrows in the desired currencies at fixed and floating rates of interest and then uses interest rate caps and swaps to manage the Group's exposure to interest rate fluctuations. At the period end £6.5 million (2005: £6.6 million) of the Group's borrowings were at a fixed rate of interest.

Liquidity rate risk

As regards liquidity, the Group's policy throughout the period has been to maintain a mix of short and medium term borrowings. Short-term flexibility is achieved by overdraft facilities. In addition it is the Group's policy to maintain committed undrawn facilities in order to provide flexibility in the management of the Group's liquidity.

Foreign currency risk

The Group's subsidiary, Animal Feed Supplement Inc., operates in the USA and its revenues and expenses are denominated exclusively in US dollars.

Crystalyx Products GmbH, a joint venture of the Group, operates in Germany and its revenues and expenses are denominated exclusively in Euros.

Effective interest rates at the balance sheet date and borrowing maturity

Group	2006 Weighted average effective interest rate %	2006 Total £'000	2006 Within one year £'000	2006 One to two years £'000	2006 Two to five years £'000	2005 Weighted average effective interest rate %	2005 Total £'000	2005 Within one year £'000	2005 One to two years £'000	2005 Two to five years £'000
Bank overdrafts	**5.75**	**1,208**	**1,208**	**—**	**—**	5.50	646	646	—	—
Bank loans and other borrowings	**6.08**	**12,019**	**6,409**	**493**	**5,117**	5.74	14,498	7,995	893	5,610
Other loans	**—**	**1,255**	**1,225**	**30**	**—**	—	1,256	1,225	31	—
Finance lease liabilities	**6.90**	**1,712**	**840**	**559**	**313**	6.90	1,665	800	569	296
		16,194	**9,682**	**1,082**	**5,430**		18,065	10,666	1,493	5,906
Fixed rate		**6,712**	**840**	**559**	**5,313**		6,665	800	569	5,296
Floating rate		**8,227**	**7,617**	**493**	**117**		10,144	8,641	893	610
Non-interest bearing		**1,255**	**1,225**	**30**	**—**		1,256	1,225	31	—
		16,194	**9,682**	**1,082**	**5,430**		18,065	10,666	1,493	5,906

The effect of the Group's interest rate swap is to classify £5 million (2005: £5 million) of floating rate borrowings in the above table as fixed rate.

The floating rate financial liabilities bear interest determined as follows:

Bank overdrafts	Base rate + 1% margin; US prime rate + 1% margin
Bank loans and other borrowings	Libor + 1.25% or + 1.125%; Base rate + 1.25% margin

27 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)

Company	2006 Weighted average effective interest rate %	2006 Total £'000	2006 Within one year £'000	2006 One to two years £'000	2006 Two to five years £'000	2005 Weighted average effective interest rate %	2005 Total £'000	2005 Within one year £'000	2005 One to two years £'000	2005 Two to five years £'000
Bank overdrafts	**5.75**	**883**	**883**	**—**	**—**	5.50	1,730	1,730	—	—
Bank loans and other borrowings	**6.14**	**6,503**	**893**	**493**	**5,117**	5.73	7,796	1,293	893	5,610
Loans from group undertakings	**4.78**	**2,475**	**2,475**	**—**	**—**	5.34	4,191	4,191	—	—
		9,861	**4,251**	**493**	**5,117**		13,717	7,214	893	5,610
Fixed rate		**5,000**	**—**	**—**	**5,000**		5,000	—	—	5,000
Floating rate		**4,861**	**4,251**	**493**	**117**		8,717	7,214	893	610
		9,861	**4,251**	**493**	**5,117**		13,717	7,214	893	5,610

The effect of the Company's interest rate swap is to classify £5 million (2005: £5 million) of floating rate borrowings in the above table as fixed rate.

The Company's floating rate financial liabilities bear interest determined as follows:

Bank overdrafts	Base rate + 1% margin
Bank loans and other borrowings	Libor + 1.25% or + 1.125%

Analysis of borrowings by currency:

Group	2006 Sterling £'000	2006 US Dollar £'000	2006 Euro £'000	2006 Total £'000	2005 Sterling £'000	2005 US Dollar £'000	2005 Euro £'000	2005 Total £'000
Bank overdrafts	**1,006**	**186**	**16**	**1,208**	601	45	—	646
Bank loans and other borrowings	**12,019**	**—**	**—**	**12,019**	14,498	—	—	14,498
Other loans	**1,225**	**—**	**30**	**1,255**	1,225	—	31	1,256
Finance leases	**1,712**	**—**	**—**	**1,712**	1,665	—	—	1,665
	15,962	**186**	**46**	**16,194**	17,989	45	31	18,065
Company								
Bank overdrafts	**867**	**—**	**16**	**883**	1,730	—	—	1,730
Bank loans and other borrowings	**6,503**	**—**	**—**	**6,503**	7,796	—	—	7,796
Loans from group undertakings	**114**	**2,361**	**—**	**2,475**	2,839	1,352	—	4,191
	7,484	**2,361**	**16**	**9,861**	12,365	1,352	—	13,717

Borrowing facilities

The Group had various undrawn committed facilities. The facilities available at 2 September 2006, in respect of which all conditions precedent had been met, were as follows:

	2006 Floating rate £'000	2005 Floating rate £'000
Expiring in one year or less	**10,928**	14,630

The Company's overdraft is within a group facility and it is therefore not possible to determine the Company's undrawn committed facilities at the balance sheet date.

Derivative financial instruments

The Group and Company does not adopt hedge accounting. Any gains or losses on derivative financial instruments have been recognised in the Income Statement in the period they arise.

27 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)

Currency derivatives

The Group and Company uses forward foreign currency contracts to manage its exchange risk exposure. At the balance sheet date, the fair value of outstanding forward foreign currency contracts are as below:

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
At beginning of period	—	6	—	—
Losses during the period	(27)	(6)	(4)	—
At end of period	(27)	—	(4)	—

Fair value has been determined by reference to the value of equivalent forward foreign currency contracts at the balance sheet date. All forward foreign currency contracts have a maturity of less than one year after the balance sheet date. Gains and losses on currency related derivatives are included within operating profit.

Interest rate derivatives

The Group uses interest rate caps and swaps to manage its interest rate risk exposure. At the balance sheet date, the fair value of these instruments are as below:

	Interest rate cap				Interest rate swap			
	Group		Company		Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000	2006 £'000	2005 £'000	2006 £'000	2005 £'000
At beginning of period	—	—	—	—	(106)	—	(106)	—
Gains/(losses) during the period	6	—	—	—	137	(106)	137	(106)
At end of period	6	—	—	—	31	(106)	31	(106)

Fair value has been determined by reference to the value of equivalent instruments at the balance sheet date. Gains and losses on interest related derivatives are included within net finance costs in the income statement.

The interest rate cap has a notional value of £3,500,000 and a strike rate of 5.5%. The date of maturity is 30 September 2008. The interest rate swap has a notional value of £5,000,000 and a fixed interest rate of 4.88%, with interest payments being made at quarterly intervals. The date of maturity is 10 December 2009.

Fair values of financial assets and financial liabilities

	Group				Company			
	2006		2005		2006		2005	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Assets								
Other investments	254	254	255	255	201	201	202	202
Non-current derivatives	37	37	—	—	31	31	—	—
Non-current receivables	208	208	223	223	—	—	—	—
Current trade and other receivables	33,546	33,546	35,197	35,197	14,325	14,325	14,048	14,048
Cash and cash equivalents	2,292	2,292	3,149	3,149	—	—	—	
	36,337	36,337	38,824	38,824	14,557	14,557	14,250	14,250
Liabilities								
Current borrowings	9,682	9,682	10,666	10,666	4,251	4,251	7,214	7,214
Current derivatives	27	27	—	—	4	4	—	—
Trade and other payables	25,387	25,387	29,318	29,318	1,025	1,025	665	665
Non-current borrowings	6,512	6,532	7,399	7,541	5,610	5,691	6,503	6,686
Non-current derivatives	—	—	106	106	—	—	106	106
Other non-current liabilities	1,524	1,524	1,287	1,287	—	—	—	—
	43,132	43,152	48,776	48,918	10,890	10,971	14,488	14,671

Other investments consist of investments in unquoted companies, which are held at cost due to the lack of reliable measurability.

Derivative instruments are recognised in the balance sheet at fair value.

The fair value of current assets and current liabilities are assumed to approximate to book value due to the short term maturity of the instrument.

Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest and exchange rates.

28 RETIREMENT BENEFIT OBLIGATION

The Group participates in two defined benefit pension schemes, Carr's Milling Industries Pension Scheme 1993 and Carrs Billington Agriculture Pension Scheme.

Carr's Milling Industries

The Company sponsors the Carr's Milling Industries Pension Scheme 1993 and offers a defined contribution and a defined benefit section. The assets of the scheme are held separately from those of the Group and are invested with independent investment managers.

The pension expense for the defined contribution section of the scheme for the period was £181,000 (2005: £177,000). Contributions totalling £8,141 (2005: £8,000) were payable to the fund at the period end and are included in creditors.

During the period contributions were payable to a Group Personal Pension plan for certain employees of Carr's Flour Mills Limited. The pension expense for this scheme for the period was £260,000 (2005: £173,000).

The defined benefit section of the scheme is funded to cover future pension liabilities (including expected future earnings and pension increases). It is subject to an independent valuation on a triennial basis by a qualified actuary who determines the rate of the employer's contribution. The most recent valuation of the scheme was at 1 January 2006 and adopted the Projected Unit Method. It was assumed that the investment returns would be 6.5% per annum and that the salary increases would average 4.0% per annum. It was also assumed that present and future pensions, in excess of the Guaranteed Minimum Pension (GMPs), would increase once in payment at the lesser of 5.0% per annum and price inflation and that GMPs would increase at the rate of 3.0% per annum.

The actuarial valuation as at 1 January 2006 shows that the market value of assets relating to the defined benefit section of the scheme was £29,104,000 and that the actuarial value of those assets represented 68.0% of the actuarial value of benefits that had accrued to members, after allowing for expected future increases in earnings. At 1 January 2006, the scheme showed a deficit of £13,541,000.

The pension contribution made by the Group over the period to the defined benefit section was £1,297,000 (2005: £1,296,000).

The following disclosures relate to the defined benefit section. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 1 January 2006 and updated on an approximate basis to 2 September 2006.

Major assumptions:

	2006 £'000	2005 £'000
Inflation	**3.0%**	2.75%
Salary increases	**4.0%**	3.75%
Rate of discount	**5.1%**	5.4%
Pension in payment increases:		
Pre 1 September 2001	**3.25%**	3.0%
Post 1 September 2001	**3.0%**	2.75%
Revaluation rate for deferred pensioners for pensions revaluing at 5.0% per annum or RPI if less	**3.0%**	2.75%

Amounts recognised in the Income Statement in respect of defined benefit schemes:

	2006 £'000	2005 £'000
Current service cost	**714**	513
Interest on pension scheme liabilities	**2,131**	2,037
Expected return on pension scheme assets	**(1,771)**	(1,618)
	1,074	932

The expense is recognised within the Income Statement as shown below:

	2006 £'000	2005 £'000
Cost of Sales	**399**	355
Administrative expenses	**675**	577
	1,074	932

Actuarial losses of £3,900,000 (2005: £1,543,000) have been reported in the Statement of Recognised Income and Expense.

28 RETIREMENT BENEFIT OBLIGATION (CONTINUED)

Amounts included in the Balance Sheet:

	2006 £'000	2005 £'000
Present value of defined benefit obligations	**(45,794)**	(39,556)
Fair value of scheme assets	**29,998**	27,437
Deficit in scheme	**(15,796)**	(12,119)
Past service cost not yet recognised in the balance sheet	**—**	—
Total liability recognised in the balance sheet	**(15,796)**	(12,119)
Amount included in current liabilities	**—**	—
Amount included in non-current liabilities	**(15,796)**	(12,119)

Movements in the present value of defined benefit obligations:

	2006 £'000	2005 £'000
At the beginning of the period	**39,556**	33,991
Current service cost	**714**	513
Interest cost	**2,131**	2,037
Changes in assumptions underlying the defined benefit obligation	**4,258**	3,561
Benefits paid	**(865)**	(546)
At the end of the period	**45,794**	39,556

Movements in the fair value of scheme assets:

	2006 £'000	2005 £'000
At the beginning of the period	**27,437**	23,051
Expected return on scheme assets	**1,771**	1,618
Actual return less expected return on scheme assets	**358**	2,018
Contributions by employer	**1,297**	1,296
Benefits paid	**(865)**	(546)
At the end of the period	**29,998**	27,437

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

	Expected return		Fair value of assets	
	2006 %	2005 %	2006 £'000	2005 £'000
Equity instruments	**7.5**	7.5	**15,776**	14,520
Debt instruments	**4.75**	5.0	**11,936**	10,629
Property	**7.0**	6.5	**1,831**	1,665
Other assets	**4.75**	4.5	**455**	623
	6.3	6.4	**29,998**	27,437
Actual return on scheme assets			**2,129**	3,636

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.

28 RETIREMENT BENEFIT OBLIGATION (CONTINUED)

History of scheme:

	2006 £'000	2005 £'000	2004 £'000	2003 £'000	2002 £'000
Present value of the defined benefit obligation	**(45,794)**	(39,556)	(33,991)	(32,068)	(27,396)
Fair value of scheme assets	**29,998**	27,437	23,051	21,315	19,802
Deficit	**(15,796)**	(12,119)	(10,940)	(10,753)	(7,594)
Difference between expected and actual returns on scheme assets:					
Amount £'000	**358**	2,018	(397)	(280)	(3,784)
Percentage of scheme assets	**1.2%**	7.4%	1.7%	1.3%	19.1%
Experience gains and losses on scheme liabilities:					
Amount £'000	**(4,258)**	(3,561)	(227)	(3,303)	(1,232)
Percentage of scheme liabilities	**9.3%**	9.0%	0.7%	10.3%	4.5%

The Group expects to contribute approximately £2,600,000 to the defined benefit scheme in the next financial period.
The Company expects to contribute approximately £2,082,000 to the defined benefit scheme in the next financial period.

Carrs Billington Agriculture

Carrs Billington Agriculture (Sales) Limited, one of the Group's subsidiary undertakings, is a participating employer of the Carrs Billington Agriculture Pension Scheme, another funded defined benefit scheme.

The pension contribution made by Carrs Billington Agriculture (Sales) Limited over the period to the Carrs Billington Agriculture Pension Scheme was £84,000 (2005: £295,000).

The actuarial valuation as at 31 December 2003 shows that the market value of assets relating to the scheme was £14,600,000 and the actuarial value of those assets represented 81% of the actuarial value of benefits that had accrued to members, after allowing for expected future increase in earnings. The assumptions used in arriving at the valuations were a real rate of return over salary increases on funds invested of 2% and rate increase in present and future pensions of 2.65%. At 31 December 2003, the scheme showed a deficit of £3,500,000.

Carrs Billington Agriculture (Sales) Limited offers a Group Personal Pension Plan to its employees and the pension expense for this plan in the period was £70,000 (2005: £39,000).

During the period contributions were also payable to a defined contribution pension scheme for certain employees of Carrs Billington Agriculture (Sales) Limited. The pension expense for this scheme for the period was £9,000 (2005: £3,000).

The following disclosures relate to the defined benefit section. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 31 December 2003 and updated on an approximate basis to 2 September 2006.

It is not possible to identify the underlying share of the pension scheme assets and liabilities that relate to Carr's Milling Industires PLC. Approximately 50% of the assets and liabilities of the pension scheme relate to Carr's Milling Industries PLC and under IFRS approximately 50% of the assets and liabilities are included in the Group's financial statements through the investment in associate.

28 RETIREMENT BENEFIT OBLIGATION (CONTINUED)

Major assumptions:

	2006 £'000	2005 £'000
Inflation	**3.0%**	2.73%
Salary increases	**3.5%**	3.5%
Rate of discount	**5.1%**	4.88%
Pension in payment increases	**3.0%**	2.73%
Revaluation rate for deferred pensioners for pensions revaluing at 5.0% per annum or RPI if less	**3.0%**	2.73%

Amounts recognised in the Income Statement of the associate in respect of defined benefit schemes:

	2006 £'000	2005 £'000
Current service cost	**157**	130
Interest on pension scheme liabilities	**1,150**	1,086
Expected return on pension scheme assets	**(1,033)**	(965)
	274	251

The Group's share of the expense is recognised within the Income Statement through the share of post-tax profit/(loss) in associate.

The Group's share of the actuarial gains of £419,000 (2005: losses £1,925,000) have been reported in the Statement of Recognised Income and Expense.

Amounts included in the Balance Sheet of the associate:

	2006 £'000	2005 £'000
Present value of defined benefit obligations	**(24,698)**	(23,943)
Fair value of scheme assets	**19,008**	17,466
Deficit in scheme	**(5,690)**	(6,477)
Past service cost not yet recognised in the balance sheet	**—**	—
Total liability recognised in the balance sheet	**(5,690)**	(6,477)

The Group's share of the deficit is recognised within the Balance Sheet through the investment in associate.

Movements in the present value of defined benefit obligations:

	2006 £'000	2005 £'000
At the beginning of the period	**23,943**	19,677
Current service cost	**157**	130
Interest cost	**1,150**	1,086
Changes in assumptions underlying the defined benefit obligation	**364**	3,613
Benefits paid	**(916)**	(563)
At the end of the period	**24,698**	23,943

Movements in the fair value of scheme assets:

	2006 £'000	2005 £'000
At the beginning of the period	**17,466**	14,820
Expected return on scheme assets	**1,033**	965
Actual return less expected return on scheme assets	**783**	1,688
Contributions by employer	**642**	556
Benefits paid	**(916)**	(563)
At the end of the period	**19,008**	17,466

28 RETIREMENT BENEFIT OBLIGATION (CONTINUED)

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

	Expected return		Fair value of assets	
	2006	2005	**2006**	2005
	%	%	**£'000**	£'000
Equity instruments	**6.7**	6.7	**13,459**	12,288
Debt instruments	**4.1**	4.2	**4,991**	4,194
Other assets	**4.1**	4.2	**558**	984
	5.9	6.0	**19,008**	17,466
Actual return on scheme assets			**1,816**	2,653

The expected rates of return on scheme assets are determined by reference to relevant indices. The overall rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

History of scheme:

	2006	2005	2004	2003	2002
	£'000	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	**(24,698)**	(23,943)	(19,677)	(17,576)	(15,853)
Fair value of scheme assets	**19,008**	17,466	14,820	14,116	13,582
Deficit	**(5,690)**	(6,477)	(4,857)	(3,460)	(2,271)
Difference between expected and actual returns on scheme assets:					
Amount £'000	**783**	1,688	100	136	(2,866)
Percentage of scheme assets	**4.1%**	9.7%	0.7%	1.0%	21.0%
Experience gains and losses on scheme liabilities:					
Amount £'000	**(364)**	(3,613)	(1,628)	(1,326)	(631)
Percentage of scheme liabilities	**1.5%**	15.1%	8.3%	7.5%	4.0%

It is expected that contributions of approximately £700,000 will be paid to the defined benefit scheme in the next financial period.

29 CALLED-UP SHARE CAPITAL

Group and Company	**2006** £'000	2005 £'000
Authorised:		
10,500,000 ordinary shares of 25p each (2005: 10,500,000)	**2,625**	2,625
Allotted and fully paid: 8,233,579 ordinary shares of 25p each (2005: 8,213,579)	**2,058**	2,053

For details of share option and share save schemes see note 31.

30 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AND MINORITY INTEREST

Group	Share Capital £'000	Share Premium Account £'000	Equity Compensation Reserve £'000	Foreign Exchange Reserve £'000	Other Reserves £'000	Retained Earnings £'000	Total Shareholders' Equity £'000	Minority Interest £'000	Total £'000
Balance at 29 August 2004	2,018	4,752	—	—	1,663	7,382	15,815	1,272	17,087
Total recognised income and expense for the period	—	—	—	(80)	—	5,742	5,662	329	5,991
Dividends	—	—	—	—	—	(1,136)	(1,136)	—	(1,136)
Share options exercised by employees	35	225	—	—	—	—	260	—	260
Elimination of goodwill arising on prior years' acquisitions	—	—	—	—	—	(406)	(406)	—	(406)
Minority interest on increase in shareholding in subsidiary	—	—	—	—	—	—	—	109	109
Transfer	—	—	—	—	(31)	31	—	—	—
Balance at 3 September 2005	2,053	4,977	—	(80)	1,632	11,613	20,195	1,710	21,905
Balance at 4 September 2005	2,053	4,977	—	(80)	1,632	11,613	20,195	1,710	21,905
Total recognised income and expense for the period	—	—	—	(150)	—	1,609	1,459	139	1,598
Dividends	—	—	—	—	—	(1,358)	(1,358)	—	(1,358)
Equity settled share-based payment transactions, net of tax	—	—	22	—	—	—	22	5	27
Share options exercised by employees	5	27	—	—	—	—	32	—	32
Minority interest on increase in shareholding in subsidiary	—	—	—	—	—	—	—	77	77
Transfer	—	—	—	—	(31)	31	—	—	—
Balance at 2 September 2006	**2,058**	**5,004**	**22**	**(230)**	**1,601**	**11,895**	**20,350**	**1,931**	**22,281**

Retained earnings at 29 August 2004 have been revised from £7,502,000, which was disclosed in the Group's IFRS transition document issued in April 2006, to £7,382,000 following adjustments made to taxation in the associate at the transition date.

Retained earnings at 3 September 2005 have been revised from £11,967,000, which was disclosed in the group's IFRS transition document issued in April 2006, to £11,613,000 following the finalisation of the fair values of the assets and liabilities acquired from W & J Pye Limited by the Group's associate in 2005.

30 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

Company	Share Capital £'000	Share Premium Account £'000	Equity Compensation Reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 29 August 2004	2,018	4,752	—	(288)	6,482
Total recognised income and expense for the period	—	—	—	1,025	1,025
Dividends	—	—	—	(1,136)	(1,136)
Share options exercised by employees	35	225	—	—	260
Balance at 3 September 2005	2,053	4,977	—	(399)	6,631
Balance at 4 September 2005	2,053	4,977	—	(399)	6,631
Total recognised income and expense for the period	—	—	—	2,806	2,806
Dividends	—	—	—	(1,358)	(1,358)
Equity settled share-based payment transactions, net of tax	—	—	27	—	27
Share options exercised by employees	5	27	—	—	32
Balance at 2 September 2006	**2,058**	**5,004**	**27**	**1,049**	**8,138**

31 SHARE-BASED PAYMENTS

The Group operates five share based payment schemes. Two schemes, the Executive Scheme 1996 and the Company Plan 1996, were granted before 7 November 2002, the recognition and measurement principles in IFRS2 have not been applied in accordance with the transitional provisions in IFRS1 and IFRS2. Disclosure in respect of these two schemes is as follows:

Option Schemes

Outstanding share options	2006	2005	Price Range	Dates of Grant
Executive Scheme 1996	**90,000**	90,000	161p	2002
Company Plan 1996	**37,000**	57,000	161p	2002

During the period 20,000 (2005: 139,980) shares were issued under these share option schemes.

Options granted on the Company Plan 1996 are normally exercisable 3-10 years from the date of the grant. Options granted in the Executive Scheme 1996 are normally exercisable 3-7 years from the date of the grant.

31 **SHARE-BASED PAYMENTS (CONTINUED)**

New Schemes

Group

During the period the Group entered into three new schemes, an Inland Revenue approved discretionary employee share option scheme, an unapproved discretionary share option scheme and a share save scheme.

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

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

	Approved and Unapproved Executive Share Option Scheme 2006		Share Save Scheme 2006 (3-Year Plan)		Share Save Scheme 2006 (5-Year Plan)	
	2006	2005	2006	2005	2006	2005
Grant date (approved)	24/2/06	—	1/6/06	—	1/6/06	—
Grant date (unapproved)	20/2/06	—	—	—	—	—
Share price at grant date (weighted average)	£4.78	—	£4.64	—	£4.64	—
Exercise price (weighted average)	£4.78	—	£4.79	—	£4.79	—
Number of employees	30	—	56	—	73	—
Shares under option (approved)	132,000	—	27,117	—	66,515	—
Shares under option (unapproved)	12,000	—	—	—	—	—
Vesting period (years)	3	—	3	—	5	—
Model used for valuation	Binomial	—	Black Scholes	—	Black Scholes	—
Expected volatility	22.44%	—	20.18%	—	21.37%	—
Option life (years)	10	—	3.5	—	5.5	—
Expected life (years)	6.5	—	3.25	—	5.25	—
Risk-free rate	4.224%	—	4.683%	—	4.623%	—
Expected dividends expressed as a dividend yield	3.36%	—	3.56%	—	3.56%	—
Expectations of vesting	100%	—	75%	—	75%	—
Expectations of meeting performance criteria	100%	—	N/A	—	N/A	—
Fair value per option	£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 expected 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.

31 SHARE-BASED PAYMENTS (CONTINUED)

Approved and Unapproved Executive Share Option Scheme 2006

The number and weighted average exercise prices are as follows:

	2006		2005	
	Weighted average exercise price £	Number of options ('000)	Weighted average exercise price £	Number of options ('000)
Outstanding at the beginning of the period	—	—	—	—
Granted during the period	4.78	144	—	—
Exercised during the period	—	—	—	—
Lapsed during the period	—	—	—	—
Outstanding at the end of the period	4.78	144	—	—
Exercisable at the end of the period	—	—	—	—

At the period end the weighted average remaining contractual life of the options is 9.5 years with a weighted average remaining expected life of 6 years.

Share Save Scheme 2006 - 3 Year Plan

The number and weighted average exercise prices are as follows:

	2006		2005	
	Weighted average exercise price £	Number of options ('000)	Weighted average exercise price £	Number of options ('000)
Outstanding at the beginning of the period	—	—	—	—
Granted during the period	4.79	27	—	—
Exercised during the period	—	—	—	—
Lapsed during the period	—	—	—	—
Outstanding at the end of the period	4.79	27	—	—
Exercisable at the end of the period	—	—	—	—

At the period end the weighted average remaining contractual life of the options is 3.25 years with a weighted average remaining expected life of 3 years.

Share Save Scheme 2006 - 5 Year Plan

The number and weighted average exercise prices are as follows:

	2006		2005	
	Weighted average exercise price £	Number of options ('000)	Weighted average exercise price £	Number of options ('000)
Outstanding at the beginning of the period	—	—	—	—
Granted during the period	4.79	67	—	—
Exercised during the period	—	—	—	—
Lapsed during the period	—	—	—	—
Outstanding at the end of the period	4.79	67	—	—
Exercisable at the end of the period	—	—	—	—

At the period end the weighted average remaining contractual life of the options is 5.25 years with a weighted average remaining expected life of 5 years.

31 SHARE-BASED PAYMENTS (CONTINUED)

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

	2006 £'000	2005 £'000
Approved and Unapproved Executive Share Option Scheme 2006	**24**	—
Share Save Scheme 2006 - 3 Year Plan	**1**	—
Share Save Scheme 2006 - 5 Year Plan	**2**	—
	27	—

New Schemes

Company

During the period the company entered into three new schemes, an Inland Revenue approved discretionary employee share option scheme, an unapproved discretionary share option scheme and a share save scheme.

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

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

	Unapproved Executive Share Option Scheme 2006		Share Save Scheme 2006 (3-Year Plan)		Share Save Scheme 2006 (5-Year Plan)	
	2006	2005	2006	2005	2006	2005
Grant date	**20/2/06**	—	**1/6/06**	—	**1/6/06**	—
Share price at grant date	**£5.02**	—	**£4.64**	—	**£4.64**	—
Exercise price	**£5.02**	—	**£4.79**	—	**£4.79**	—
Number of employees	**2**	—	**6**	—	**1**	—
Shares under option	**12,000**	—	**6,133**	—	**1,344**	—
Vesting period (years)	**3**	—	**3**	—	**5**	—
Model used for valuation	**Binomial**	—	**Black Scholes**	—	**Black Scholes**	—
Expected volatility	**22.44%**	—	**20.18%**	—	**21.37%**	—
Option life (years)	**10**	—	**3.5**	—	**5.5**	—
Expected life (years)	**6.5**	—	**3.25**	—	**5.25**	—
Risk-free rate	**4.224%**	—	**4.683%**	—	**4.623%**	—
Expected dividends expressed as a dividend yield	**3.36%**	—	**3.56%**	—	**3.56%**	—
Expectations of vesting	**100%**	—	**75%**	—	**75%**	—
Expectations of meeting performance criteria	**100%**	—	**N/A**	—	**N/A**	—
Fair value per option	**£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 expected 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.

31 SHARE-BASED PAYMENTS (CONTINUED)

Unapproved Executive Share Option Scheme 2006

The number and weighted average exercise prices are as follows:

	2006		2005	
	Weighted average exercise price £	Number of options ('000)	Weighted average exercise price £	Number of options ('000)
Outstanding at the beginning of the period	—	—	—	—
Granted during the period	5.02	12	—	—
Exercised during the period	—	—	—	—
Lapsed during the period	—	—	—	—
Outstanding at the end of the period	5.02	12	—	—
Exercisable at the end of the period	—	—	—	—

At the period end the weighted average remaining contractual life of the options is 9.5 years with a weighted average remaining expected life of 6 years.

Share Save Scheme 2006 - 3 Year Plan

The number and weighted average exercise prices are as follows:

	2006		2005	
	Weighted average exercise price £	Number of options ('000)	Weighted average exercise price £	Number of options ('000)
Outstanding at the beginning of the period	—	—	—	—
Granted during the period	4.79	6	—	—
Exercised during the period	—	—	—	—
Lapsed during the period	—	—	—	—
Outstanding at the end of the period	4.79	6	—	—
Exercisable at the end of the period	—	—	—	—

At the period end the weighted average remaining contractual life of the options is 3.25 years with a weighted average remaining expected life of 3 years.

31 SHARE-BASED PAYMENTS (CONTINUED)

Share Save Scheme 2006 - 5 Year Plan

The number and weighted average exercise prices are as follows:

	2006		2005	
	Weighted average exercise price £	Number of options ('000)	Weighted average exercise price £	Number of options ('000)
Outstanding at the beginning of the period	—	—	—	—
Granted during the period	4.79	1	—	—
Exercised during the period	—	—	—	—
Lapsed during the period	—	—	—	—
Outstanding at the end of the period	4.79	1	—	—
Exercisable at the end of the period	—	—	—	—

At the period end the weighted average remaining contractual life of the options is 5.25 years with a weighted average remaining expected life of 5 years.

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

	2006	2005
Unapproved Executive Share Option Scheme 2006	2	—
Share Save Scheme 2006 - 3 Year Plan	—	—
Share Save Scheme 2006 - 5 Year Plan	—	—
	2	—

Share based payments awarded to employees of subsidiary undertakings and recognised as an investment in subsidiary undertakings in the company are as follows:

	2006	2005
Unapproved Executive Share Option Scheme 2006	22	—
Share Save Scheme 2006 - 3 Year Plan	1	—
Share Save Scheme 2006 - 5 Year Plan	2	—
Total carrying amount of investments	25	—

32 ACQUISITIONS

Wallace Oils Holdings Limited

In 2005 Carrs Billington Agriculture (Sales) Limited acquired the whole of the issued share capital of Wallace Oils Holdings Limited for a total consideration including costs of £1,746,000. This consideration included £322,000 of deferred consideration, payable over two years on achievement of profit targets, which was provided in the period ended 3 September 2005.

The directors estimate that the likelihood of the deferred consideration becoming payable is now remote. This has resulted in negative goodwill of £76,810 arising on the acquisition which has been recognised immediately in the income statement for the period ended 2 September 2006.

Other acquisitions

On 5 June 2006 Carrs Billington Agriculture (Sales) Limited increased its shareholding in Northern Feeds Solutions Limited to 100% for a cash consideration of £3,200 generating goodwill of £79,992. This transaction has increased the Group's effective shareholding in Northern Feeds Solutions Limited to 51%.

33 CASH GENERATED FROM/(USED BY) OPERATIONS

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Profit for the period	**4,334**	7,812	**5,536**	2,105
Adjustments for:				
Tax	**1,989**	2,557	**(159)**	(108)
Dividends received from subsidiaries	**—**	—	**(5,754)**	(2,152)
Depreciation	**3,419**	3,055	**—**	—
Loss/(profit) on disposal of property, plant and equipment	**27**	(4,199)	**—**	—
Profit on disposal of investments	**(1)**	—	**(1)**	—
Immediate recognition of negative goodwill	**(77)**	(1,526)	**—**	—
Intangible asset amortisation	**986**	1,029	**—**	—
Provision against investment in/loans to subsidiaries	**—**	—	**—**	87
Net fair value losses on derivative financial instruments in operating profit	**27**	6	**4**	—
Net fair value loss on share based payments	**27**	—	**2**	—
Net foreign exchange differences	**14**	19	**(93)**	(24)
Net finance costs:				
Interest income	**(378)**	(93)	**(436)**	(389)
Interest expense and borrowing costs	**1,539**	1,191	**695**	679
Net fair value (gains)/losses on derivative financial instruments	**(143)**	106	**(137)**	106
Share of (profit)/loss from associate and joint ventures	**(218)**	697	**—**	—
Changes in working capital (excluding the effects of acquisitions)				
Decrease/(increase) in inventories	**1,003**	(1,009)	**—**	—
Decrease/(increase) in receivables	**1,903**	(6,595)	**(183)**	280
(Decrease)/increase in payables	**(3,382)**	3,613	**194**	(221)
Cash generated from/(used by) continuing operations	**11,069**	6,663	**(332)**	363

34 ANALYSIS OF NET DEBT

Group	At 4 September 2005 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	At 2 September 2006 £'000
Cash and cash equivalents	3,149	(857)	—	—	**2,292**
Bank overdrafts	(646)	(474)	—	(88)	**(1,208)**
	2,503	(1,331)	—	(88)	**1,084**
Loans and other borrowings:					
- current	(9,220)	2,487	(901)	—	**(7,634)**
- non-current	(6,534)	—	894	—	**(5,640)**
Finance leases:					
- current	(800)	1,047	(1,087)	—	**(840)**
- non-current	(865)	—	(7)	—	**(872)**
	(14,916)	2,203	(1,101)	(88)	**(13,902)**

Other non-cash changes relate to finance leases and transfers between categories of borrowings. It also includes the release of borrowing costs to the income statement.

35 CASH FLOWS RELATING TO NON-RECURRING ITEMS AND AMORTISATION

Cash generated from/(used by) operations includes an outflow of £nil (2005: £350,000) which relates to the non-recurring cost of reorganising the Food Division. The cash consideration received on the disposal of the Bendall's site on London Road, Carlisle was £nil (2005: £2,846,000) net of expenses.

There are no cash flows in respect of the immediate recognition of negative goodwill and amortisation of intangible assets.

36 CAPITAL COMMITMENTS

Group	2006 £'000	2005 £'000
Capital expenditure that has been contracted for but has not been provided for in the accounts	**182**	225

The Company has no capital commitments.

37 OTHER FINANCIAL COMMITMENTS

Group

At 2 September 2006 the Group had commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Within one year	—	—	**464**	138
Within two and five years inclusive	—	—	**423**	271
After five years	—	—	**4**	7
	—	—	**891**	416

Company

At 2 September 2006 the Company had commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Within one year	—	—	**1**	1
Within two and five years inclusive	—	—	**4**	4
After five years	—	—	**3**	4
	—	—	**8**	9

38 FINANCIAL GUARANTEES

The Company, together with certain subsidiary undertakings, has entered into a guarantee with Clydesdale Bank PLC in respect of the Group loans and overdraft with that bank, which at 2 September 2006 amounted to £nil (2005: £nil).

The Company, together with certain subsidiary undertakings, has a €1.25 million (2005: €1 million) letter of credit by Clydesdale Bank PLC in favour of Crystalyx Products GmbH, a joint venture arrangement.

The Company, together with certain subsidiary undertakings, has entered into a guarantee with Royal Bank of Scotland PLC in respect of the overdraft with that bank, which at 2 September 2006 amounted to £573,000 (2005: £601,000).

One of the Group's bankers in the normal course of business, enters into certain specific guarantees with some of a subsidiary's customers. All these guarantees allow the bank to have recourse to the Company if a guarantee is enforced. The total outstanding of such guarantees entered into by the bank at 2 September 2006 was £1,200,737 (2005: £429,000).

A subsidiary undertaking of the Company, together with an associated undertaking of the Company, has entered into a guarantee with Royal Bank of Scotland PLC in respect of a loan with that bank. The Group's exposure to this liability at 2 September 2006 amounts to £2,250,000 (2005: £2,500,000).

39 RELATED PARTIES

Group and Company

Identity of related parties

The Group has a related party relationship with its subsidiaries, associate and joint ventures and with its directors. The balances and transactions shown below were all undertaken on an arms' length basis.

Transactions with key management personnel

Key management personnel are considered to be the directors and their remuneration is disclosed within the Directors' Remuneration Report.

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Balances reported in the Balance Sheet				
Amounts due from key personnel (in a trading capacity)				
Trade receivables	**94**	18	**—**	—
	94	18	**—**	—
Transactions reported in the Income Statement:				
Revenue	**352**	52	**—**	—
Purchases	**(4)**	(4)	**—**	—
	348	48	**—**	—

Transactions with subsidiaries	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Balances reported in the Balance Sheet				
Amounts due from subsidiary undertakings:				
Loans	**—**	—	**13,618**	13,618
Trade receivables	**—**	—	**315**	295
	—	—	**13,933**	13,913
Amounts due to subsidiary undertakings:				
Loans	**—**	—	**(2,475)**	(4,191)
Trade payables	**—**	—	**(18)**	(122)
	—	—	**(2,493)**	(4,313)
Transactions reported in the Income Statement				
Management charges receivable	**—**	—	**1,522**	1,432
Dividends received	**—**	—	**5,754**	2,152
Interest receivable	**—**	—	**402**	377
Interest payable	**—**	—	**(167)**	(154)
	—	—	**7,511**	3,807

Transactions with associate	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Balances reported in the Balance Sheet				
Amounts due from associate:				
Trade and other receivables	**241**	391	**3**	—
	241	391	**3**	—
Amounts due to associate:				
Trade payables	**(3,499)**	(5,787)	**—**	—
	(3,499)	(5,787)	**—**	—

39 RELATED PARTIES (CONTINUED)

Transactions reported in the Income Statement

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Revenue	**824**	380	**—**	—
Rental income	**17**	17	**—**	—
Net management charges (payable)/receivable	**(368)**	(69)	**14**	13
Purchases	**(58,171)**	(39,826)	**—**	—
	(57,698)	(39,498)	**14**	13

Transactions with joint ventures	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Balances reported in the Balance Sheet				
Amounts due from joint ventures:				
Loans	**280**	—	**205**	—
Other receivables	**1**	—	**1**	—
	281	—	**206**	—
Transactions reported in the Income Statement				
Management charges receivable	**50**	—	**—**	—
	50	—	**—**	—

Transactions with other related parties

During the period the Company issued a management charge of £nil (2005: £20,000) to Edward Billington & Son Limited, the ultimate parent of Carrs Billington Agriculture (Operations) Limited. This was in respect of services on the acquisition of the assets of W & J Pye Limited by Carrs Billington Agriculture (Operations) Limited

40 EXPLANATION OF TRANSITION TO IFRS

The selection of IFRS accounting policies as required by IFRS 1 creates a number of adjustments that are required to transition from UK GAAP to IFRS. Each of these is discussed in turn below in the context of the appropriate standard and the guidance it gives:

EMPLOYEE BENEFITS (IAS 19)

IAS 19 is more encompassing than the UK equivalent FRS 17. Specifically, IAS 19 covers all employee benefits, which include post retirement benefits such as pensions and medical care and short-term employee benefits payable in employment such as holiday pay.

Under UK GAAP, the pension costs associated with the defined benefit scheme were accounted for under SSAP 24 'Accounting for pensions costs' and detailed disclosures were provided in accordance with the transitional provisions of FRS 17.

In terms of the initial recognition of the pension deficit, IAS 19 and FRS 17 are similar however, under FRS17, the pension scheme liability is shown net of the deferred tax asset.

FINANCIAL INSTRUMENTS (IAS 32 and IAS 39)

IFRS requires derivative financial instruments to be recorded in the balance sheet at fair value with any change in fair value charged or credited to the income statement. Previously under UK GAAP these were not required to be recorded in the balance sheet.

DEFERRED AND INCOME TAX (IAS 12)

IAS 12 is more encompassing than FRS 19 'Deferred tax', in that it requires deferred tax to be provided on all temporary differences rather than just taxable timing differences.

IAS 12 also requires that deferred tax assets should be presented within non-current assets and deferred tax liabilities within non-current liabilities. They are only offset on the balance sheet if the entity has a legally enforceable right to set off current tax assets against current tax liabilities and they are levied by the same tax authority on either the same taxable entity or different taxable entities which intend to settle current tax liabilities and assets on a net basis.

INTANGIBLE ASSETS (IAS 38)

IAS 38 prohibits the amortisation of goodwill. Instead goodwill is subject to an annual impairment review. The Group has opted to apply IFRS 3 prospectively from the date of transition. Goodwill has been frozen at 29 August 2004.

Under UK GAAP, capitalised computer software is classified within tangible fixed assets. Under IFRS, computer software that is not integral to an item of property, plant or equipment must be classified as an intangible asset. The value of capitalised computer software is deemed immaterial and has not been classified as an intangible asset.

IMPAIRMENT OF ASSETS (IAS 36)

IAS 36 requires that at each balance sheet date all tangible and intangible assets should be reviewed for indication of impairment.

IFRS 1 requires that an impairment review of goodwill should be conducted in accordance with IAS 16 at the date of transition and at the balance sheet date. The Group has performed this review and no material adjustment is required for 2004/05. There is no impact on the 2004/05 opening balance sheet or on the income statement for 2004/05.

40 EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

LEASES (IAS 17)

IFRS requires property leases to be split into their separate land and building elements with leasehold land normally treated as an operating lease.

A detailed review of the company's lease portfolio has resulted in one lease being reclassified as an operating lease, and being classified on the balance sheet as prepaid leases and amortised over the life of the lease.

SHARE-BASED PAYMENTS (IFRS 2)

IFRS 2 requires that share-based payment transactions be expensed to the income statement. The expense is calculated with reference to the fair value of the award on the date of the grant and is recognised over the vesting period of the scheme, with adjustments being made to reflect actual and expected levels of vesting.

IFRS 1 permits a company to apply IFRS 2 only to equity settled share-based awards granted on or after 7 November 2002, which have not vested by the later of the date of transition of IFRS (29 August 2004) and 1 January 2005. The Group has taken advantage of this exemption and as such there is no impact on the 2004/05 opening balance sheet.

PROPERTY, PLANT AND EQUIPMENT (IAS 16)

The Group has opted to use previous revaluations of property made under UK GAAP as deemed cost. The impact on 2004/05 opening balance sheet is a reclassification from the revaluation reserve to other reserves. There is no impact on the income statement for 2004/05.

No adjustment has been made to the carrying value on plant and equipment in the 2004/05 opening balance sheet.

POST BALANCE SHEET EVENTS (IAS 10)

IAS 10 requires that dividends declared after the balance sheet date should not be recognised as a liability at that date as the dividend does not represent a present obligation. Under UK GAAP, the period-end balance sheet includes an accrual for the proposed final dividend.

BUSINESS COMBINATIONS (IFRS 3)

IFRS requires the acquirer of a business to identify and value acquired intangible assets. This has resulted in the recognition of customer relationships and brands on the face of the balance sheet.

IFRS 3 requires negative goodwill (excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over costs) arising on the acquisition of a business to be recognised immediately in the income statement.

CUMULATIVE TRANSLATION DIFFERENCES (IAS 21)

IAS 21 requires cumulative translation differences arising from translation of foreign operations to be recorded separately within equity and included in the gain or loss on disposal when the operation is sold.

The Group has adopted the exemption from reflecting this aspect of IAS 21 retrospectively as permitted by in IFRS 1.

40 EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

Reconciliation of profit for the 53 week period ended 3 September 2005

Group	UK GAAP in IFRS format £'000	Effect of transition to IFRS £'000	IFRS £'000
Revenue			
Continuing operations	158,876	—	158,876
Acquisitions - Meneba UK Holdings Limited	26,299	—	26,299
- Wallace Oils Holdings Limited	6,949	—	6,949
Total revenue	192,124	—	192,124
Cost of sales	(161,532)	236	(161,296)
Gross profit	30,592	236	30,828
Net operating expenses	(19,666)	1,102	(18,564)
Group operating profit	10,926	1,338	12,264
Analysed as:			
Operating profit before non-recurring items and amortisation	7,166	809	7,975
Non-recurring items and amortisation	3,760	529	4,289
Group operating profit	10,926	1,338	12,264
Net finance costs	(1,092)	(106)	(1,198)
Share of post-tax loss in associate and joint ventures	(531)	(166)	(697)
Profit before taxation	9,303	1,066	10,369
Taxation	(1,912)	(645)	(2,557)
Profit for the period	7,391	421	7,812
Profit attributable to minority interest	276	53	329
Profit attributable to equity shareholders	7,115	368	7,483
	7,391	421	7,812

Company	£'000
Profit after taxation under UK GAAP	5,326
Effect of transition to IFRS:	
- Employee benefits	657
- Dividends receivable from subsidaries	(3,602)
- Movement in fair value of derivative financial instruments	(106)
- Deffered taxation	(170)
Profit after taxation under IFRS	2,105

40 EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

Reconciliation of total equity

Group	29 August 2004 UK GAAP in IFRS format £'000	29 August 2004 Effect of transition to IFRS £'000	29 August 2004 IFRS £'000	3 September 2005 UK GAAP in IFRS format £'000	3 September 2005 Effect of transition to IFRS £'000	3 September 2005 IFRS £'000
Assets						
Non-current assets						
Negative goodwill	—	—	—	(539)	539	—
Goodwill	40	—	40	422	(22)	400
Other intangible assets	144	—	144	112	1,626	1,738
Property, plant and equipment	20,474	(988)	19,486	30,232	(1,394)	28,838
Investment property	—	246	246	—	822	822
Investment in associate	3,217	(1,414)	1,803	2,686	(2,241)	445
Interest in joint venture	—	—	—	172	—	172
Other investments	253	—	253	255	—	255
Financial assets						
- Non-current receivables	200	—	200	223	—	223
Deferred tax assets	170	3,376	3,546	204	3,758	3,962
	24,498	1,220	25,718	33,767	3,088	36,855
Current assets						
Inventories	10,387	—	10,387	12,947	—	12,947
Financial assets						
- Derivative financial instruments	—	6	6	—	—	—
Trade and other receivables	19,491	742	20,233	34,463	734	35,197
Current tax assets	82	—	82	87	—	87
Cash and cash equivalents	1,091	—	1,091	3,149	—	3,149
	31,051	748	31,799	50,646	734	51,380
Total assets	55,549	1,968	57,517	84,413	3,822	88,235
Liabilities						
Current liabilities						
Financial liabilities						
- Borrowings	(4,013)	—	(4,013)	(10,666)	—	(10,666)
Trade and other payables	(20,308)	1,160	(19,148)	(30,983)	1,665	(29,318)
Current tax liabilities	(944)	—	(944)	(1,581)	—	(1,581)
	(25,265)	1,160	(24,105)	(43,230)	1,665	(41,565)
Non-current liabilities						
Financial liabilities						
- Borrowings	(2,836)	—	(2,836)	(7,399)	—	(7,399)
- Derivative financial instruments	—	—	—	—	(106)	(106)
Retirement benefit obligation	—	(10,940)	(10,940)	—	(12,119)	(12,119)
Deferred tax liabilities	(951)	(411)	(1,362)	(1,226)	(2,628)	(3,854)
Other non-current liabilities	(1,187)	—	(1,187)	(1,287)	—	(1,287)
	(4,974)	(11,351)	(16,325)	(9,912)	(14,853)	(24,765)
Total liabilities	(30,239)	(10,191)	(40,430)	(53,142)	(13,188)	(66,330)
Net assets	25,310	(8,223)	17,087	31,271	(9,366)	21,905
Shareholders' equity						
Ordinary shares	2,018	—	2,018	2,053	—	2,053
Share premium	4,752	—	4,752	4,977	—	4,977
Revaluation reserve	1,663	(1,663)	—	1,632	(1,632)	—
Foreign exchange reserve	—	—	—	—	(80)	(80)
Other reserve	—	1,663	1,663	—	1,632	1,632
Retained earnings	15,605	(8,223)	7,382	20,952	(9,339)	11,613
Total shareholders' equity	24,038	(8,223)	15,815	29,614	(9,419)	20,195
Minority interests in equity	1,272	—	1,272	1,657	53	1,710
Total equity	25,310	(8,223)	17,087	31,271	(9,366)	21,905

40 EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

Reconciliation of total equity

	29 August 2004			3 September 2005		
Company	UK GAAP in IFRS format £'000	Effect of transition to IFRS £'000	IFRS £'000	UK GAAP in IFRS format £'000	Effect of transition to IFRS £'000	IFRS £'000
Assets						
Non-current assets						
Investment in subsidiaries	7,370	—	7,370	13,072	—	13,072
Investment in associate	1,470	—	1,470	1,470	—	1,470
Interest in joint venture	—	—	—	172	—	172
Other investments	202	—	202	202	—	202
Deferred tax assets	148	3,136	3,284	242	3,430	3,672
	9,190	3,136	12,326	15,158	3,430	18,588
Current assets						
Trade and other receivables	11,169	(2,152)	9,017	19,802	(5,754)	14,048
Current tax assets	463	—	463	602	—	602
	11,632	(2,152)	9,480	20,404	(5,754)	14,650
Total assets	20,822	984	21,806	35,562	(2,324)	33,238
Liabilities						
Current liabilities						
Financial liabilities						
- Borrowings	(2,490)	—	(2,490)	(7,214)	—	(7,214)
Trade and other payables	(1,709)	1,215	(494)	(2,349)	1,684	(665)
	(4,199)	1,215	(2,984)	(9,563)	1,684	(7,879)
Non-current liabilities						
Financial liabilities						
- Borrowings	(1,400)	—	(1,400)	(6,503)	—	(6,503)
- Derivative financial instruments	—	—	—	—	(106)	(106)
Retirement benefit obligation	—	(10,940)	(10,940)	—	(12,119)	(12,119)
	(1,400)	(10,940)	(12,340)	(6,503)	(12,225)	(18,728)
Total liabilities	(5,599)	(9,725)	(15,324)	(16,066)	(10,541)	(26,607)
Net assets	15,223	(8,741)	6,482	19,496	(12,865)	6,631
Shareholders' equity						
Ordinary shares	2,018	—	2,018	2,053	—	2,053
Share premium	4,752	—	4,752	4,977	—	4,977
Retained earnings	8,453	(8,741)	(288)	12,466	(12,865)	(399)
Total shareholders' equity	15,223	(8,741)	6,482	19,496	(12,865)	6,631
Minority interests in equity	—	—	—	—	—	—
Total equity	15,223	(8,741)	6,482	19,496	(12,865)	6,631

	UK GAAP (in IFRS format)				IFRS
	2002	2003	2004	2005	2006
Revenue and results	£'000	£'000	£'000	£'000	£'000
Revenue	143,378	148,688	155,749	192,124	**242,576**
Group operating profit	4,062	4,011	5,036	12,264	**7,116**
Analysed as:					
Operating profit before non-recurring items and amortisation	3,755	4,011	5,036	7,975	**7,987**
Non-recurring items and amortisation	307	—	—	4,289	**(871)**
Group operating profit	4,062	4,011	5,036	12,264	**7,116**
Net finance costs	(822)	(584)	(575)	(1,198)	**(1,011)**
Share of post-tax profit/(loss) in associate and joint ventures	604	693	531	(697)	**218**
Profit before taxation	3,844	4,120	4,992	10,369	**6,323**
Taxation	(647)	(1,331)	(1,498)	(2,557)	**(1,989)**
Profit for the period	3,197	2,789	3,494	7,812	**4,334**

Ratios					
Operating margin (excluding non-recurring items and amortisation)	2.6%	2.7%	3.2%	4.2%	**3.3%**
Return on net assets (excluding non-recurring items and amortisation)	16.6%	17.7%	19.7%	27.8%	**32.3%**
Earnings per share - basic	36.3p	30.5p	39.9p	92.1p	**51.0p**
- adjusted	33.3p	34.7p	39.9p	50.9p	**59.7p**
Dividends per ordinary share	9.5p	11.5p	13.5p	16.0p	**18.0p**

	UK GAAP (in IFRS format)				IFRS
	2002	2003	2004	2005	2006
Net assets employed	£'000	£'000	£'000	£'000	£'000
Non-current assets					
Goodwill	96	63	40	400	**235**
Other intangible assets	—	—	144	1,738	**802**
Property, plant and equipment	19,232	19,723	20,474	28,838	**29,172**
Investment property	—	—	—	822	**794**
Investments	2,146	2,839	3,470	872	**1,940**
Financial assets					
- Derivative financial instruments	—	—	—	—	**37**
- Non-current receivables	17	8	5	223	**208**
Deferred tax assets	47	172	170	3,962	**5,162**
	21,538	22,805	24,303	36,855	**38,350**
Current assets					
Inventories	9,057	9,123	10,387	12,947	**11,944**
Trade and other receivables	18,411	18,240	19,686	35,197	**33,546**
Current tax assets	222	274	82	87	**1**
Cash and cash equivalents	856	1,472	1,091	3,149	**2,292**
	28,546	29,109	31,246	51,380	**47,783**
Total assets	50,084	51,914	55,549	88,235	**86,133**
Current liabilities					
Financial liabilities					
- Borrowings	(2,373)	(3,627)	(4,013)	(10,666)	**(9,682)**
- Derivative financial instruments	—	—	—	—	**(27)**
Trade and other payables	(20,010)	(18,592)	(20,308)	(29,318)	**(25,387)**
Current tax liabilities	(554)	(793)	(944)	(1,581)	**(1,324)**
	(22,937)	(23,012)	(25,265)	(41,565)	**(36,420)**
Non-current liabilities					
Financial liabilities					
- Borrowings	(4,470)	(3,460)	(2,836)	(7,399)	**(6,512)**
- Derivative financial instruments	—	—	—	(106)	**—**
Retirement benefit obligation	—	—	—	(12,119)	**(15,796)**
Deferred tax liabilities	(1,129)	(1,099)	(951)	(3,854)	**(3,600)**
Other non-current liabilities	(179)	(1,108)	(1,187)	(1,287)	**(1,524)**
	(5,778)	(5,667)	(4,974)	(24,765)	**(27,432)**
Total liabilities	(28,715)	(28,679)	(30,239)	(66,330)	**(63,852)**
Net assets	21,369	23,235	25,310	21,905	**22,281**

Notice of Annual General Meeting

Notice is hereby given that the Ninety Eighth Annual General Meeting of Carr's Milling Industries PLC will be held at the Crown Hotel, Wetheral, Carlisle on Tuesday 9 January, 2007 at 11.30 a.m. for the transaction of the following business.

ORDINARY BUSINESS

1. To adopt the Report of the Directors and Financial Statements for the period ended 2 September 2006
2. To approve the Remuneration Committee's Report for the period ended 2 September 2006
3. To declare a final dividend of 12.5p per share on the Ordinary Share Capital
4. To re-elect as a Director W R Inglewood who retires by rotation
5. To re-elect as a Director A R Heygate who retires having been appointed to the Board since the last Annual General Meeting
6. To re-appoint PricewaterhouseCoopers LLP as Auditors and to authorise the Directors to fix their remuneration

SPECIAL BUSINESS

7. Disapplication of pre-emption rights

   To resolve as a special resolution that the directors of the Company be and are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (as defined in sub-section (2) of section 94 of the Companies Act 1985) pursuant to the authority conferred on them for the purposes of section 80 of the Act by the special resolution of the Company passed on 6 January 2005 as if section 89(1) of the said Act did not apply to such allotment provided that this power is limited to:

(i) the allotment of equity securities in connection with a rights issue in favour of the holders of ordinary shares in the capital of the Company where the equity securities attributable to the interests of such holders are proportionate (as nearly as may be) to the respective number of such ordinary shares held by them, subject only to such exclusions or other arrangements as the directors feel necessary or expedient to deal with fractional entitlements or legal or practicable problems arising under the laws or the requirements of any recognised regulatory body; and

(ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £102,920, and shall expire at the conclusion of the next Annual General Meeting of the Company or 15 months from the date hereof, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

8. Company's authority to purchase its own shares

   To resolve as a special resolution that in accordance with Chapter VII of the Companies Act 1985, the Company be generally and unconditionally authorised to make market purchases (as defined in section 163(3) of that Act) of its own ordinary shares of 25p each ("ordinary shares") on such terms and in such manner as the directors may, from time to time, determine provided that:

(i) The maximum number of ordinary shares hereby authorised to be purchased is 823,358;

(ii) the minimum price which may be paid for any ordinary share is 25 pence (excluding expenses);

(iii) the maximum price which may be paid for any ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased (excluding expenses); and

(iv) the authority hereby conferred shall expire at the conclusion of the annual general meeting of the Company to be held in 2008, if earlier, on 8 April 2008, but a contract of purchase may be made before such expiry which will or may be executed wholly or partly thereafter and a purchase of shares may be made in pursuance of any such contract.

Stanwix
Carlisle CA3 9BA
21 November 2006

By Order of the Board
Ronald C Wood
Secretary

There will be available for inspection at the registered office of the Company during normal business hours from the date of this notice until the date of the Annual General Meeting:

(a) register of directors' interests
(b) copies of all contracts of service relating to directors employed by the Company.

These documents will also be available for inspection during the Annual General Meeting and for at least fifteen minutes before it begins.

Directory of Operations

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Animal Feed Supplements Inc
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Carrs Fertilisers, Silloth
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