Carr's Milling Industries PLC

Annual Report & Accounts 2005

growing

CARR'S MILLING INDUSTRIES ACTIVITIES ARE FOCUSSED ON AGRICULTURE, FOOD AND ENGINEERING WITH INCREASED ANNUAL SALES OF

£192.1m

2005: growing

	2005 £'000	2004 £'000
Group turnover	**192,124**	155,749
Group operating profit	**6,816**	5,036
Profit before tax and exceptional items	**6,141**	5,127
Profit before tax	**9,016**	5,127
Net cash inflow from operating activities	**6,644**	6,256
Net debt	**14,915**	5,758
Group capital employed	**31,271**	25,310
Earnings per share		
Basic	**87.5p**	39.9p
Adjusted	**47.7p**	39.9p
Dividends		
Interim paid	**5.0p**	4.5p
Final proposed	**11.0p**	9.0p
Total	**16.0p**	13.5p

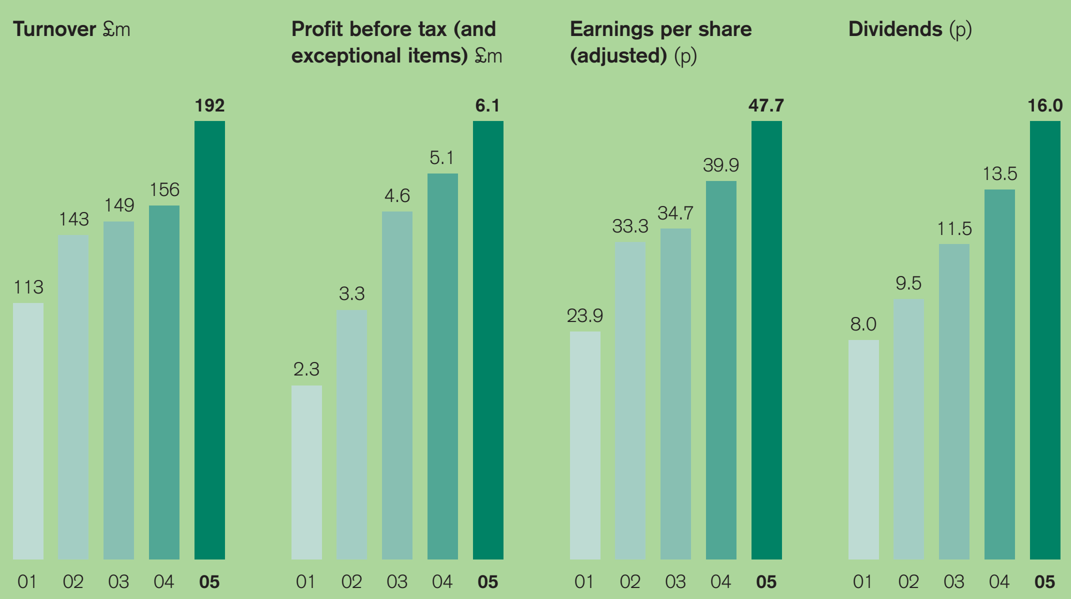
UNDERLYING PROFIT INCREASED

TO: **£6.1m**

BY: **19.8%**

our business

Financial Highlights



Statutory numbers are given in the Chairman's Statement and reconciliations are given in the Notes to the Financial Statements

Chairman's Statement
by Richard Inglewood

the future is positive

IN MY FIRST CHAIRMAN'S STATEMENT, IT IS A PARTICULAR PLEASURE TO CONVEY FURTHER GOOD NEWS. The period ended 3 September 2005 was one of major expansion for the Group.

In November 2004, the acquisition of Meneba (UK) more than doubled the size of Carr's flour business, and in July 2005 the acquisition by our associate company, Carrs Billington Agriculture (Operations), of certain assets of W & J Pye (in administration) nearly doubled volumes of compound and blended animal feed. In addition, Crystalyx Products, a feed block joint venture, was established in Germany and a Carlisle-based fuel oil distributor, Wallace Oils, was acquired.

The year also witnessed a seventh successive annual increase in adjusted earnings per share.

Prospects for further progress remain good.

FINANCIAL REVIEW

The figures in this paragraph take no account of exceptional items. In the 53 weeks (2004: 52 weeks), on turnover up 23.4% at £192.1m (2004: £155.7m), total operating profit increased by 26.9% to £7.33m (2004: £5.78m), whilst pre-tax profit was 19.8% ahead at £6.14m (2004: £5.13m). Adjusted earnings per share advanced by 19.5% to 47.7p (2004: 39.9p).

Exceptional items comprise an exceptional gain of £4.11m on the disposal of the Bendall's site and charges of £0.35m and £0.89m for the post acquisition rationalisation of the acquired flour business and the Pye business, respectively, a net gain of £2.88m.

After exceptional items, the reported figures were a total operating profit of £6.1m (2004: £5.8m), pre-tax profit of £9.02m (2004: £5.13m) and earnings per share of 87.5p (2004: 39.9p).

Period end equity shareholders' funds increased by 23.2% to £29.61m (2004: £24.04m), representing net assets per share of 360.5p (2004: 297.7p). Net debt of £14.92m compared with £5.76m at 28 August 2004, giving gearing of 50.4% and 24.0%, respectively. This reflects the £8.75m of cash required to fund the Meneba acquisition and the £1.32m initial cash consideration for the Wallace acquisition. Net interest payable of £1.19m (2004: £0.65m) was covered 6.2 times (2004: 8.9 times) by total operating profit before exceptional items.

DIVIDENDS

A final dividend per share of 11.0p (2004: 9.0p), up 22.2%, is proposed, payable on 19 January 2006 to shareholders on the register at close of business on 16 December 2005, with an ex-dividend date of 14 December 2005.

Together with the interim dividend per share of 5.0p (2004: 4.5p), total dividends per share are 18.5% higher at 16.0p (2004:13.5p), covered 3.0 times (2004: 3.0 times) by adjusted earnings per share.

The AGM will be held at 11.30 a.m. on Monday 9 January 2006 at the Crown Hotel, Wetheral, Carlisle.

BUSINESS OVERVIEW

This has been a significant period for Carr's, which included major acquisitions strengthening our position in both the food and agriculture markets. It is a testament to the underlying strength of our business that it continued to perform well during this busy period. We are especially pleased with the performance of our food business which, despite flooding at a major customer's premises in Carlisle in January 2005 and a serious fire at another customer one month later, successfully integrated the Meneba business, with its two mills at Kirkcaldy (Fife) and Maldon (Essex).

In July 2005 the Pye acquisition comprising four compound feed mills and one blended feed mill enabled a certain amount of rationalisation in animal feed production which was commercially necessary. The integration of this business with Carrs Billington Agriculture Operations has proved challenging as we rationalise and we anticipate benefits to be forthcoming in 2006.

Another major event late in the period was the disposal of the site from which Bendalls Engineering operated and its relocation to a newly built factory elsewhere in Carlisle, together with the purchase of new equipment. The move took place during June and July 2005 and was completed with minimal disruption to our production timetable and our customers.

In September, post period end, we formed a joint venture company with Wynnstay Group PLC and Welsh Feed Producers Limited to market and sell animal feed, fertilisers and other farm requirements in Wales. Carr's interest in the joint venture is 50%.

BOARD

Sadly, David Newton resigned from the Board, because of illness, at the time of the Interim Announcement in April 2005, having been non-executive Chairman since April 1996. David Newton made a major contribution to the Group's growth during his time on the Board for which we are all grateful. We wish him every good fortune in his retirement.

In September 2005, I was appointed his successor, having been a non-executive director since September 2004.

At the same time, Alistair Wannop was appointed a non-executive director, bringing the number of non-executive directors to three. Alistair is a major figure in Cumbrian agriculture and brings to the Board expertise in both agriculture and food.

OUTLOOK

Agriculture

Prospects for Agriculture very much depend upon the successful integration of the compound and blended feed operations of Carrs Billington Agriculture with those of the Pye acquisition. Nonetheless we are confident that the strategy we have followed will provide real benefits. More generally, the UK Agriculture business will have to contend with challenging market conditions made more difficult by the uncertainty and damage to farmers' cash flow directly caused by changes in the support regime.

Food

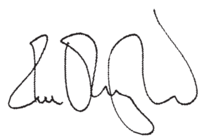
Flour is trading strongly in a market which continues to be satisfactory. Flour has and will benefit from the successful integration of the Carr's Flour Milling and Meneba operations and from the effect of a full-year's ownership of the latter.

Engineering

Engineering, much the Group's smallest activity, is on an upward trend, but its continuing success is likely to be influenced significantly by the extent of Bendalls success in winning nuclear decommissioning work from BNFL.

OVERALL

The Board believes that, in the period ending 2 September 2006, the expanded business will register another creditable performance for Carrs.



Richard Inglewood
Chairman
21 November 2005

Chief Executive's Review

by Chris Holmes

the business is growing

IN THE PERIOD ENDED 3 SEPTEMBER 2005, THE GROUP AGAIN ACHIEVED RECORD UNDERLYING RESULTS. Those were achieved from improved trading in the Food division, in part as a result of the Meneba UK flour acquisition, Engineering division's return to profit and from the Agriculture division performing well with results similar to last year.

Agriculture

FEED
The Group's animal feed business comprises (in association with Edward Billington & Sons Limited) the UK manufacture of animal feeds by Carrs Billington Agriculture at Carlisle (Cumbria), Langwathby (Cumbria), Lancaster (Lancashire) and Stone (Staffordshire) and the blending of animal feeds at Askrigg (North Yorkshire), Kirkbride (Cumbria) and Lancaster.

The market for ruminant animal feeds was difficult last year with severe manufacturing over-capacity in the north of England resulting in margins being under constant pressure. This resulted in reduced profits of own feed and that of our associate company, Carrs Billington Agriculture (Operations). In testing trading conditions it is important that we adhere to our strategy and seize opportunities that secure our trading position. Accordingly on 15 July 2005 our associate company acquired certain trade and assets of W & J Pye Limited (in Administration) and immediately initiated a consultation process with the management to restructure the business. Following consultation it was agreed to cease production at the acquired Blackburn and Shrewsbury feed mills in addition to our feed mill at Penrith. The retained business was transferred to our newly acquired feed mills in Lancaster and Langwathby and also to our existing feed mills at Carlisle and Stone.

On 1 October 2005, subsequent to the period end, we formed a new joint venture company, Bibby Agriculture Limited, with Carrs Billington Agriculture (Sales) being a 50% shareholder and Wynnstay Group PLC and Welsh Feed Producers Limited each having a 25% shareholding. Bibby Agriculture Limited will market animal feed, fertiliser and other farm requirements in Wales with the feed supplied from the three shareholders' mills.

In the USA our two low-moisture animal feed block plants, at Belle Fourche, South Dakota and Poteau, Oklahoma, manufacture Smartlic and Feed in a Drum. During the period, they traded with large cost increases in the base raw material, molasses. During the period we also commenced marketing our range of equine products, Horslyx, which is successfully sold in the UK, to the USA market, resulting in high initial promotional costs. Consequently, the results are lower than last year.

However, the raw material cost increases are now recovered and, with lower marketing costs associated with Horslyx, we expect profit growth in the current year.

In the UK the growth of our speciality equine and calf products continued. In February 2005, Horslyx Mini Licks, a treat for horses, was launched. Sales of Crystalyx continue to benefit from the adjacent molasses terminal facility to the plant at Silloth in Cumbria.

In December 2005 we will commission a new low-moisture animal feed plant to manufacture Crystalyx in Oldenburg, Germany with our 50% joint venture partner, Agravis, one of Germany's largest agricultural companies. We look forward to growing new markets in continental Europe.

FERTILISER
The fertiliser business performed well, with sales volumes of speciality fertiliser encouraging and of traditional fertiliser similar to last year. The investment programme to upgrade the production facilities at our three blending sites – Invergordon (Easter Ross), Montrose (Angus) and Silloth (Cumbria) – following the restructuring in 2003 was completed during the period, giving higher capacity to meet seasonal demand.

The commitment to developing fertiliser products and services appropriate to farming needs, post-CAP reform, is reflected in increasing sales of our unique range of environmentally protective fertiliser, New Choice. Through such developments Carr's is well placed to provide farmers with a whole-farm, integrated approach to nutrient management covering all aspects of the soil/plant/animal cycle.

RETAIL
Again, we enjoyed a strong performance from our existing 14 retail agricultural branches, operating from Milnathort in Kinross to Leek in Staffordshire, with sales growth of 7%. We gained five branches from the Pye acquisition which will help achieve our aim of continued growth in retail. Our branches sell a wide product range to farmers with our ultimate aim of providing a one stop shop supplying everything from combine harvesters, tractors, feed, fertiliser, grass seed and wellington boots, through to animal health products and minerals.

OIL
Pursuing our aim of growing the business and expanding our portfolio, Wallace Oils was acquired in April 2005. Wallace Oils operates from three depots in Cumbria and south west Scotland and supplies oils and lubricants to a broad customer base. Cross-selling opportunities are presented with both Carrs Billington Agriculture (Sales) and Carrs retail branches. The full impact of this acquisition will be seen in the current year.

MACHINERY
Carrs Machinery distributes new and used agricultural and ground care machinery from branches in Annan (Dumfriesshire), Carlisle and Penrith (Cumbria), Hexham and Morpeth (Northumberland) and Barnard Castle (County Durham). These branches have modern workshops and provide a comprehensive store of spare parts.

Our sales expectations were again beaten, albeit at a lower level of sales and profitability than the previous year.

Chief Executive's Review
continued

Food

Carr's principal food businesses are Carr's Flour Mills, with a flour mill at Silloth and since November 2004, the two flour mills acquired, Hutchisons at Kirkcaldy (Fife) and Greens at Maldon (Essex). The Silloth mill experienced a three month loss of flour sales as a result of the flooding at McVitie's biscuit factory in Carlisle on 8 January 2005. The impact of the loss of trade was partly compensated by our insurance programme. In addition, a serious fire at a customer's plant bakery, also in Carlisle, in February resulted in a total loss of flour sales. The bakery is not expected to re-open. Notwithstanding these events, the Silloth mill performed well, as did the acquired mills. The integration of the enlarged flour business has gone well and the business has a strong market presence in the northern area of the UK and has increased its market in the supply of speciality mixes. The results of the acquisition in the nine months have been earnings enhancing, not withstanding reorganisation costs of £0.35 million and are ahead of expectations.

The benefits next year of a full year's trading of Greens and Hutchisons, combined with the implemented cost savings, should outweigh the severe increases in energy costs.

Carrs Breadmaker flour brand range continues to sell well, with listings in three major multiple retailers.

Engineering

Engineering comprises Bendalls and R Hind, both of which operate from independent sites on the Kingstown Industrial Estate, Carlisle, and Carrs MSM which is based in Swindon in Wiltshire. Bendalls, designs and manufactures specialist steel fabrications for the global petrochemical, nuclear, renewable energy and process industries. R Hind provides vehicle body building and accident repairs for cars and commercial vehicles. Carrs MSM designs and manufactures master slave manipulators, which are key components for many industries but notably the nuclear industry.

In the period, the Engineering division returned to profit.

Bendalls performed well and enjoyed a steady flow of work throughout the period. The high quality of fabrication work for the nuclear and the oil industries won many new contracts, not least a contract to supply pressure vessels to BP for the Caspian Sea offshore oil development. The sale of the London Road site in Carlisle and relocation of the division to the new purpose built 5,000 square metres factory on the Kingstown Industrial Estate, Carlisle should give Bendalls the opportunity of winning contracts which its previous premises would have excluded it from tendering for. The gain on the disposal of the site in October was £4.11m and the net cash retained by Bendalls was £1.3m after incurring the cost of equipping the new factory and relocating.

Bendalls' involvement in renewable energy is ongoing, with the tidal energy project, "SeaGen", expected to be commissioned and connected to the national grid in the second half of 2006. The project has suffered from delays in release of government funding resulting in late completion of front end design activities.

Carrs MSM had a good year and entered the current year with a good order book.

R Hind improved over the previous year and should make steady progress this year.

Staff

David Newton, who became the first non Carr family Chairman in 1996, suffered ill health last year, retiring from the Board in April 2005. I would like to endorse the Chairman's comments by thanking David for his contribution to the Group, together with the support to myself, and wish him a speedy and full recovery.

2005 has been another year of record results and I would like to thank all my colleagues in the UK and the USA for their individual contributions in achieving a very successful year in terms of the results and positioning the Group for the future.

Chris Holmes
Chief Executive Officer
21 November 2005

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

Registered Office
Carr's Milling Industries PLC
Old Croft, Stanwix
Carlisle CA3 9BA
Registered No. 98221

Independent Auditors
PricewaterhouseCoopers LLP
89 Sandyford Road
Newcastle upon Tyne NE1 8HW

Bankers
Clydesdale Bank PLC
82 English Street
Carlisle CA3 8HP

The Royal Bank of Scotland PLC
37 Lowther Street
Carlisle CA3 8EL

Financial Adviser and Broker
Investec Bank (UK) Limited
2 Gresham Street
London EC2V 7QP

Solicitors
Atkinson Ritson
15 Fisher Street
Carlisle CA3 8RW

DLA
India Buildings
Water Street
Liverpool L2 ONH

Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Directors' Report

The directors present their Annual Report together with the audited financial statements for the period ended 3 September 2005.

PRINCIPAL ACTIVITIES

The principal activities are Agriculture, Food and Engineering and are described in the Chairman's Statement and the Chief Executive's Review on pages 2 to 7. Future developments and a review of business are also described on pages 2 to 7. The financial statements for the period ended 3 September 2005, including other information about the Group's financial position, are set out on pages 20 to 53.

DIVIDENDS

An interim dividend of 5.0p per ordinary share was paid on 27 May 2005. The directors now recommend the payment of a final dividend of 11.0p per ordinary share, bringing the total for the period to £1,313,000 (2004: 13.5p per ordinary share, totalling £1,090,000 for the year). Subject to approval at the Annual General Meeting, the final dividend will be paid on 19 January 2006 to members on the register at the close of business on 16 December 2005. Shares will go ex-dividend on 14 December 2005.

SHARE CAPITAL

A total of 100,600 and 39,380 additional ordinary shares of 25p each were issued during the period as a result of the exercise of options under the Executive Share Option Plan and the Executive Share Option Scheme respectively. Further details of the shares issued under the Executive Share Option Scheme are given in the Directors' Remuneration Report.

ACQUISITIONS

On 18 November 2004 the Company acquired the entire share capital of Meneba UK Holdings Limited for a consideration of £5.1 million including acquisition costs of £0.4 million. Meneba UK owns and operates two flour mills, one in Kirkcaldy, Fife and the other in Maldon, Essex. In addition the Company repaid £5.4 million of inter-company debt owed by Meneba UK to its parent company immediately following completion of the purchase.

On 28 April 2005 Carrs Billington Agriculture (Sales) Limited, the Group's 51% owned subsidiary company, acquired the entire share capital of Wallace Oils Holdings Limited, an oil and lubricants distribution business based in Carlisle and south west Scotland, for £1.74 million including acquisition costs of £0.1 million, of which £1.42 million was paid in cash with £0.32 million deferred consideration payable over two years on achievement of profit targets.

On 15 July 2005 Carrs Billington Agriculture (Operations) Limited, the Company's 49% associate company, acquired certain fixed assets, useable stock and trade debtors of W & J Pye (in administration), an animal feed producer and distributor based in north west England, for £15.0 million paid in cash.

POST BALANCE SHEET EVENTS

Details of post balance sheet events are given in note 36 to the accounts.

PERSONNEL

The Group consists of a diverse range of companies which have developed voluntary practices and procedures for employee involvement appropriate to their own circumstances and needs. The Group encourages this approach to provide information and consultation and believes that this promotes a better understanding of the issues facing the individual business in which the employee works.

The Group seeks to achieve and maintain a high standard in respect of health and safety of employees by all practical means and the active involvement of employees in matters of health and safety is encouraged.

Employment policies are designed to provide equal opportunities irrespective of colour, ethnic or natural origin, nationality, sex, religion, marital or disabled status.

DIRECTORS AND THEIR INTERESTS

The directors of the Company at 3 September 2005 have been directors for the whole of the period ended on that date except for Mr A G M Wannop who was appointed on 1 September 2005.

Mr D A Newton resigned from the Board in April 2005 because of illness.

Mr A G M Wannop was appointed a director since the last annual general meeting, on 1 September 2005, and in accordance with the Company's Articles of Association is required to retire at the first annual general meeting after his appointment. Mr A G M Wannop offers himself for re-election.

In accordance with the Company's Articles of Association, Mr C N C Holmes retires by rotation at the forthcoming annual general meeting and being eligible, offers himself for re-election.

Biographical details of the directors are shown below:

Non-executive directors

Lord Inglewood (54) 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.

Mr A R Heygate (60) 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 (43) 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 (54) 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 (57) 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.

Directors' Report
continued

The interests of the directors, as defined in 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 16 to 19) are as follows.

	on 3 September 2005	on 28 August 2004
C N C Holmes	47,990	32,000
A R Heygate	37,225	37,225
R C Wood	25,090	9,500
A G M Wannop	2,261	—
W R Inglewood	1,250	—

All the above interests are beneficial.

During the period no director had any interest in any contract which was significant in relation to the business of the Group.

The Group maintains insurance for Carr's Milling Industries PLC's directors in respect of their duties as directors.

SIGNIFICANT SHAREHOLDERS

As at 8 November 2005, the Company had received notification of the following shareholders having 3% or more of the issued share capital:

	Total Holding	Percentage of Issued Capital
Heygate & Sons Limited	1,332,762	16.23%
T W G Charlton	1,172,500	14.28%
HSBC Global Custody Nominee (UK) Limited	350,000	4.26%

CHARITABLE AND POLITICAL CONTRIBUTIONS

Charitable donations made by the Group during the period amounted to £12,443 (2004: £7,535). No political contributions were made (2004: Nil).

CREDITOR PAYMENT POLICY

It is the Company's policy to agree terms of payment with its suppliers when agreeing the terms of a business transaction or transactions. All suppliers are aware of this procedure and the Company abides by the agreed payment terms subject to the terms and conditions being met by the supplier. Wherever possible UK subsidiaries follow the same policy and the overseas subsidiary is encouraged to adopt similar policies, by applying local best practice.

The amount of trade creditors shown in the Group balance sheet at the end of the financial period represents 42 days (2004: 36 days) of average daily purchases from suppliers.

The Company has no outstanding trade creditors at the end of the financial period.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In common with all UK listed companies the Company is required to comply and adopt International Financial Reporting Standards for the first financial statements commencing on or after 1 January 2005. Therefore the first accounting period affected will be for the year ending 2 September 2006. The adoption of International Financial Reporting Standards will have both accounting and business implications and the Company is preparing itself for this transition.

PENSIONS

The directors have considered the financial impact on the Group of the deficit which exists in the Carr's Milling Industries Pension Scheme 1993 and confirmed its continuing support of the defined benefit section of the scheme. The directors will continue to monitor the performance of the scheme investments regularly and take action should the scheme's deficit increase.

ANNUAL GENERAL MEETING

The Notice of this year's Annual General Meeting appears on page 55 and will be held at 11.30 am on Monday 9 January 2006 at the Crown Hotel, Wetheral, Carlisle.

The notice of Annual General Meeting 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 £102,670 (representing 5 percent of the issued share capital) without first offering such shares pro rata to existing shareholders, as would otherwise by 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 821,358 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.

(iii) Resolutions 9, 10, 11 and 12: Share incentive schemes
These four resolutions cover: approval of the new approved Executive Share Option Scheme, approval of the new Unapproved Executive Share Option Scheme, approval of the new Sharesave Scheme and the approval of the new Deferred Bonus Scheme. Details of these resolutions will be set out in the Chairman's letter to shareholders dated 8 December 2005.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 3 September 2005. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

AUDITORS

The auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office as auditors to the Company and Group. A resolution to appoint them as auditors will be proposed at the next annual general meeting.

By Order of the Board

Ronald C Wood
Secretary
Stanwix
Carlisle CA3 9BA
21 November 2005

Corporate Governance

The Company remains committed to high standards of corporate governance. All listed companies are obliged to report on how they apply the Principles of Good Governance set out in the revised Combined Code and whether they complied with the Code's Provisions throughout the accounting period. The Board complied throughout the period with the provisions set out in the Combined Code issued in July 2003 apart from those relating to the following:

- one of the two existing non-executive directors is not independent; however a third non-executive director, who is independent, was appointed on 1 September 2005
- bonuses and benefits in kind paid to executive directors are pensionable
- the directors' contract periods are two years
- there are no specific provisions for compensation on early termination
- 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. Rigorous but informal evaluation has historically been carried out by the Chairman and Chief Executive, and evaluation of the performance of the individual directors has also been carried out by the Remuneration Committee
- the Remuneration Committee comprised both existing non-executive directors, albeit one director is not independent; however a third non-executive director, who is independent, was appointed on 1 September 2005
- there is no separate Nominations Committee 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
- the audit committee comprised the two existing non-executive directors, both of whom should be independent but one of whom is not; however a third non-executive director was appointed on 1 September 2005
- 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

These matters are discussed further in the relevant paragraphs below and in the Remuneration Report.

BOARD STRUCTURE AND COMMITTEES

The Board at 3 September 2005 comprised two executive directors (including the Group Chief Executive), who do not hold directorships outside the Group, and three non-executive directors (including the Chairman), who bring a range of skills and experience to the Board. The Combined Code requires the Board to determine whether its non-executive members are independent. The Board considers that Lord Inglewood and Alistair Wannop are independent and Robert Heygate is not independent for the purposes of the code. Biographical details of all current directors are set out on page 9. The Audit Committee and Remuneration Committee both have written terms of reference.

DIRECTORS

The directors supervise the management of the business and the affairs of the Company and see their prime responsibility as being to determine the broad strategy of the Company and to ensure its implementation with a view to enhancing the prosperity of the Company and its shareholders over time.

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.

One of the non-executive directors is not considered independent as he is deemed to represent a significant shareholder. The Board considered the appointment of a third non-executive director and on 1 September 2004, Lord Inglewood was appointed a director of the Company. In April 2005 the Chairman, David Newton, resigned due to illness. On 1 September 2005, prior to the period end, Alistair Wannop was appointed a non-executive director and senior independent non-executive director taking over this role on the appointment, on the same date, of Lord Inglewood as Chairman. The Board considered that Lord Inglewood's other commitments were not deemed significant. The Board has not set an objective on the reduction of directors' service contract periods to one year or less. The Board does not wish to reduce the service contract period below the current level of two years 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. Each director is provided with sufficient information to enable him to discharge his duties and responsibilities as a director.

All directors have access to the advice and services of the Company Secretary. The Board has also established a formal procedure whereby directors, wishing to do so in the furtherance of their duties, may take independent professional advice, if necessary, at the Company's expense.

The Articles of Association require one-third of the Board to retire by rotation at every Annual General Meeting. The revised 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 revised Combined Code.

The Board meets regularly and has reserved certain items for its review and approval, including the annual and interim results, the annual profit and cash flow budget, significant acquisitions and divestments, and senior management appointments.

ATTENDANCE AT MEETINGS

Details of the number of meetings of, and member's 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	1
W R Inglewood	7	1	1
C N C Holmes	9	—	—
R C Wood	9	—	—
A R Heygate	9	2	1
A G M Wannop[1]	—	—	—
D A Newton[2]	—	—	—

[1] appointed 1 September 2005

[2] resigned on 18 April 2005

DIRECTORS' REMUNERATION

The Board has established a Remuneration Committee, the role of which is to review the performance of the executive directors and to set the scale and structure of their remuneration, including bonus arrangements. The Committee comprised Lord Inglewood as Chairman and A R Heygate. From 1 September 2005 Alistair Wannop was appointed to this Committee. The report on directors' remuneration is set out on pages 16 to 19.

ACCOUNTABILITY AND AUDIT

In submitting this Annual Report and the Financial Statements to the shareholders the Board has sought to ensure that a balanced and understandable assessment of the Company's position and prospects has been presented to shareholders.

The Board has established an Audit Committee comprising the non-executive directors, with Robert Heygate as Chairman. From 1 September 2005 Alistair Wannop was appointed to this Committee. The Committee is responsible inter alia for safeguarding the Company's assets. The Committee meets at least twice a year and reviews the annual and interim financial statements and the other documents to be sent to shareholders before they are submitted for Board approval. The Committee also has meetings with the auditors at least twice a year. The Committee reviews the non-audit services provided by the audit firm comprising taxation services and considers that these are not a threat to objectivity and independence in the conduct of the audit. The auditors have direct access to the Chairman of the Audit Committee and an "open door" policy has also been adopted in relation to any concerns staff may have concerning the propriety of Group operations and activities. No issues or incidents have come to light as a result of this policy.

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.

INTERNAL CONTROL

The directors are responsible for the Group's system of internal control and for reviewing its effectiveness. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss, and in relation to the maintenance of proper accounting records and the reliability of financial information.

The revised Combined Code requires directors to introduce procedures and review the effectiveness of the Group's system of internal control, including financial, operational and compliance controls and risk management. These procedures establish the process by which the Board will, on an ongoing basis, identify, evaluate and manage the significant risks faced by the Group and carry out its annual review of the effectiveness of the internal controls. These procedures have been in place for the period under review and up to the date of approval of the annual report and financial statements. The Board reviewed the internal controls this period and it is intended that these procedures will be kept under review each year and adjusted as appropriate.

The Board's risk management strategy is to follow a prudent risk policy. Business risks are evaluated at Group level as part of the annual budgeting process. The executive directors and the senior management of subsidiary companies have responsibility for identifying the risks facing each business and then establishing procedures or putting policies in place to mitigate or monitor them. Treasury risks are evaluated by the Group Finance Director who is responsible to the Board for evaluating all significant borrowings, foreign currency and interest rate management facilities.

The Group has comprehensive budgets and detailed monthly reporting, together with daily cash reporting. The annual budget is reviewed with the senior management and submitted to the Board for approval. Revised forecasts for the year are prepared if results are deviating significantly from the budget.

Corporate Governance
continued

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 revised Combined Code, and it is the Company's practice to indicate the proxy voting results on all resolutions at the meetings.

GOING CONCERN

Based on normal business planning and control procedures the directors are confident that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors adopt the going concern basis in the preparation of the Group's financial statements.

By Order of the Board

Ronald C Wood
Secretary
Stanwix
Carlisle CA3 9BA
21 November 2005

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

We have audited the financial statements which comprise the consolidated profit and loss account, the statement of group total recognised gains and losses, the note of group historical cost profits and losses, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement, statement of accounting policies and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or 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 auditable part of the directors' remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the financial highlights, the chairman's statement, the chief executive's review, the directors' report, the corporate governance statement and the unaudited part of the directors' remuneration report.

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 to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its risk and control procedures.

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group at 3 September 2005 and of the profit and cash flows of the group for the 53 week period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
2 December 2005

Notes

(a) The maintenance and integrity of the Carr's Milling Industries PLC 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.

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

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 and A R Heygate, the other non-executive director of the Company who served on the Board of Directors during the period to 3 September 2005. A G M Wannop was appointed to the Board of Directors on 1 September 2005 and will serve on the Remuneration Committee. 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 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 18. 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 below, 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 2005, with increases taking effect from 1 September 2005. The next review will take place in August 2006. 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. Due to the Inland Revenue cap this provision cannot be met in full from the scheme and supplementary arrangements are in place and are commented on later. 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 year. 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 18.

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.

For the element of gross salary in excess of the Inland Revenue limits the Group has established for C N C Holmes a funded unapproved retirement benefit scheme (FURBS). This arrangement attempts to provide for a pension of two-thirds of his final pensionable salary at age 60, inclusive of benefits from his previous employment, and a surviving spouse's pension of two-thirds of his pension. Pensions in payment are to be increased annually by the increase in RPI. As a result of the previously announced changes to the funding of pensions, to be effective from April 2006, the Company ceased contributing to the FURBS from January 2004. No contributions to the FURBS were made in the period (2004: £49,000).

Any transfer value calculations do not make allowance for discretionary benefits including pension increases and early retirement.

- **Share Options**. The Group believes there is benefit to be gained from aligning executive directors' interests (and other employee interests) with those of shareholders by means of share options. The award of options is wholly at the discretion of the Remuneration Committee. There were no options granted in the period.

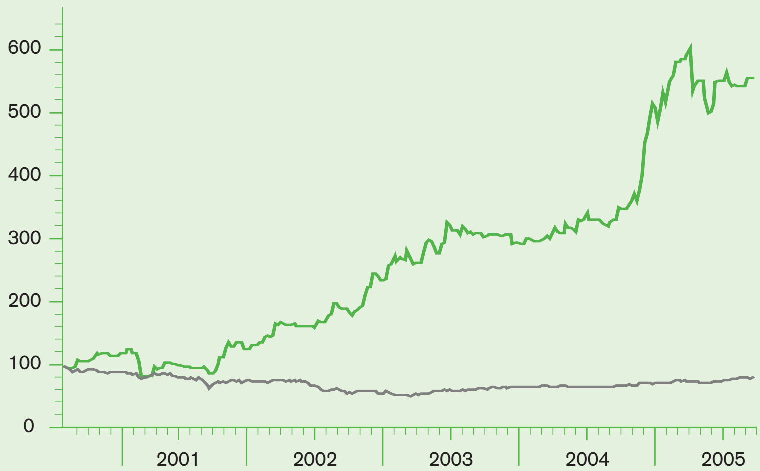
PERFORMANCE GRAPH

The following graph illustrates the Company's total shareholder return performance since 31 August 2000 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



Directors' Remuneration Report
continued

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 2005 £'000	Total Emoluments 2004 £'000	2005 Pension Contributions £'000	2004 Pension Contributions £'000	2005 Gain on Exercise of Share Options £'000	2004 Gain on Exercise of Share Options £'000
Executive directors									
C N C Holmes	167	83	1	251	211	75	118	52	—
R C Wood	143	71	1	215	178	49	44	52	—
Non-executive directors									
D A Newton	3	—	—	3	33	—	—	—	—
W R Inglewood	17	—	—	17	—	—	—	—	—
A R Heygate	17	—	—	17	17	—	—	—	—
A G M Wannop	—	—	—	—	—	—	—	—	—
	347	154	2	503	439	124	160	104	—

EXECUTIVE DIRECTORS' PENSION INFORMATION

	C N C Holmes	R C Wood
Age at 3 September 2005	53	57
	£'000	£'000
Directors' contributions during the period	—	13
Increase in accrued pension entitlement for the period		
excluding inflation	1	15
including inflation	2	18
Total accrued pension entitlement		
At 3 September 2005	65	111
At 28 August 2004	63	93
Transfer value of pension		
At 3 September 2005	1,033	2,013
At 28 August 2004	858	1,504
Increase in transfer value less contributions made by directors	175	496
Transfer value of the increase in accrued benefits less contributions made by directors	35	310

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 3 September 2005 are:

	At 28 August 2004	Exercised during period	At 3 September 2005	Exercise price	Date of Grant	Earliest date from which exercisable	Expiry date
C N C Holmes	19,690	19690	—	212.0p	25 Nov 1994	Nov 1997	Nov 2004
	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 2009
	78,190	—	58,500				
R C Wood	19,690	19690	—	212.0p	25 Nov 1994	Nov 1997	Nov 2004
	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 2009
	88,190	—	68,500				

No options were granted or lapsed during the period.

The middle market closing price of the shares at 3 September 2005 was 558.5p (28 August 2004: 332.5p) and the range throughout the period was 332.5p to 607.5p.

The market price when C N C Holmes and R C Wood exercised their share options was 475.0p.

On behalf of the Board

W R Inglewood
Chairman of the Remuneration Committee
21 November 2005

Consolidated Profit and Loss Account
for the 53 week period ended 3 September 2005

Notes		2005 £'000	2004 £'000
2	**Turnover**		
	Continuing operations	**158,876**	155,749
	Acquisitions - Meneba UK Holdings Limited	**26,299**	—
	- Wallace Oils Holdings Limited	**6,949**	—
	Total turnover	**192,124**	155,749
3	Cost of sales	**(161,532)**	(132,464)
3	**Gross profit**	**30,592**	23,285
3	**Net operating expenses**	**(23,776)**	(18,249)
3,4	**Group operating profit**		
	Continuing operations	**5,884**	5,036
	Acquisitions - Meneba UK Holdings Limited	**1,043**	—
	- Wallace Oils Holdings Limited	**(111)**	—
	Total Group operating profit	**6,816**	5,036
	Share of operating (loss)/profit in associate	**(720)**	739
	Total operating profit	**6,096**	5,775
5	Profit on disposal of fixed assets	**4,110**	—
7	Interest receivable and other income	**93**	116
8	Interest payable and similar charges	**(1,283)**	(764)
2	**Profit on ordinary activities before taxation**	**9,016**	5,127
9	Taxation	**(1,625)**	(1,633)
	Profit on ordinary activities after taxation	**7,391**	3,494
	Minority interests - equity	**(276)**	(275)
	Profit for the financial period	**7,115**	3,219
10	Dividends	**(1,313)**	(1,090)
23,24	**Retained profit for the financial period**	**5,802**	2,129
	Earnings per ordinary share		
11	Basic	**87.5p**	39.9p
11	Diluted	**85.9p**	39.8p
11	Adjusted	**47.7p**	39.9p

All of the above are derived from continuing operations.

Statement of Group Total Recognised Gains and Losses
for the 53 week period ended 3 September 2005

Notes		2005 £'000	2004 £'000
	Profit for the financial period	**7,115**	3,219
24	Currency translation differences on foreign currency net investments	**(80)**	(330)
	Total recognised gains and losses relating to the period	**7,035**	2,889

Note of Group Historical Cost Profits and Losses
for the 53 week period ended 3 September 2005

	2005 £'000	2004 £'000
Reported profit on ordinary activities before taxation	**9,016**	5,127
Realisation of property revaluation gains of previous years	**—**	48
Difference between historical cost depreciation charge and the actual depreciation charge of the period calculated on the revalued amount	**31**	31
Historical cost profit on ordinary activities before taxation	**9,047**	5,206
Historical cost profit for the period retained after taxation, minority interests and dividends	**5,833**	2,208

Consolidated Balance Sheet
at 3 September 2005

Notes		2005 £'000	2005 £'000	2004 £'000	2004 £'000
	Fixed assets				
12	Intangible assets				
	Goodwill and others	**534**		184	
	Negative goodwill	**(539)**		—	
			(5)		184
13	Tangible assets		**30,232**		20,474
	Investments				
14	Share of net assets in associate	**1,461**		1,992	
14	Share of net assets in joint venture	**172**		—	
14	Loan to associate	**1,225**		1,225	
14	Other investments	**255**		253	
			3,113		3,470
			33,340		24,128
	Current assets				
15	Stocks	**12,947**		10,387	
16	Debtors	**34,977**		19,943	
	Cash at bank and in hand	**3,149**		1,091	
		51,073		31,421	
17	**Creditors**				
	Amounts falling due within one year	**(43,230)**		(25,265)	
	Net current assets		**7,843**		6,156
	Total assets less current liabilities		**41,183**		30,284
18	**Creditors**				
	Amounts falling due after more than one year	**(8,501)**		(3,779)	
20	**Provisions for liabilities and charges**	**(1,226)**		(951)	
21	**Deferred income**	**(185)**		(244)	
			(9,912)		(4,974)
	Net assets		**31,271**		25,310
	Capital and reserves				
22	Called-up share capital		**2,053**		2,018
23	Share premium account		**4,977**		4,752
23	Revaluation reserve		**1,632**		1,663
23	Profit and loss account		**20,952**		15,605
24	**Equity shareholders' funds**		**29,614**		24,038
23	Minority interests - equity		**1,657**		1,272
			31,271		25,310

Company Balance Sheet
at 3 September 2005

Notes		2005 £'000	2005 £'000	2004 £'000	2004 £'000
	Fixed assets				
14	Investments		**14,916**		9,042
	Current assets				
16	Debtors	**20,646**		11,780	
17	**Creditors**				
	Amounts falling due within one year	**(9,563)**		(4,199)	
	Net current assets		**11,083**		7,581
	Total assets less current liabilities		**25,999**		16,623
18	**Creditors**				
	Amounts falling due after more than one year	**(6,503)**		(1,400)	
	Net assets		**19,496**		15,223
	Capital and reserves				
22	Called-up share capital		**2,053**		2,018
23	Share premium account		**4,977**		4,752
23	Profit and loss account		**12,466**		8,453
	Equity shareholders' funds		**19,496**		15,223

The financial statements set out on pages 20 to 53 were approved by the Board on 21 November 2005 and signed on its behalf by:

Christopher N C Holmes

Ronald C Wood

Consolidated Cash Flow Statement
for the 53 week period ended 3 September 2005

Notes		2005 £'000	2004 £'000
26	**Net cash inflow from operating activities**	**6,644**	6,256
	Returns on investments and servicing of finance		
	Interest received	**95**	120
	Interest paid	**(1,061)**	(563)
	Interest paid on finance leases	**(134)**	(88)
	Net cash outflow from returns on investments and servicing of finance	**(1,100)**	(531)
	Taxation paid	**(1,855)**	(1,330)
	Capital expenditure and financial investment		
	Purchase of tangible fixed assets	**(3,396)**	(2,997)
	Purchase of intangible fixed assets	**—**	(160)
	Sale of tangible fixed assets	**3,114**	295
	Purchase of investments	**(2)**	(100)
	Net cash outflow from capital expenditure and financial investment	**(284)**	(2,962)
	Acquisitions and disposals		
25	Purchase of subsidiary undertakings	**(6,957)**	—
25	Net cash acquired in subsidiaries	**2,071**	—
25	Loan repaid	**(5,370)**	—
14	Investment in joint venture	**(172)**	—
	Net cash outflow from acquisitions and disposals	**(10,428)**	—
	Equity dividends paid	**(1,137)**	(969)
	Cash (outflow)/inflow before financing	**(8,160)**	464
29	**Financing**	**11,749**	(1,311)
30	**Increase/(decrease) in net cash**	**3,589**	(847)

Statement of Accounting Policies
for the 53 week period ended 3 September 2005

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom. A summary of the more important Group accounting policies, which have been applied consistently throughout the period and the preceding period, is set out below.

ACCOUNTING CONVENTION
The financial statements have been prepared under the historical cost convention modified for the revaluation of certain land and buildings.

BASIS OF CONSOLIDATION
The consolidated profit and loss account and balance sheet include the accounts of the Company and all its subsidiary companies prepared to the Saturday nearest to 31 August. The results of subsidiary companies acquired and sold are included from and up to the respective dates of acquisition or sale.

Subsidiary undertakings are accounted for using acquisition accounting.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the Group has gained control of the subsidiary are included in the post-acquisition profit and loss account.

ASSOCIATED UNDERTAKINGS
Associated undertakings are those in which the Group has a participating interest and over which it exerts significant influence. The Group's share of the results of associated undertakings is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet under the equity method of accounting.

JOINT VENTURE
A joint venture arrangement has been entered into during the period.

A joint venture is an entity in which the Group has a long-term interest and shares control with one or more other venturers. The Group's interest in the joint venture's net assets is included in investments in the consolidated balance sheet under the equity method of accounting.

As the joint venture has not yet commenced trading there is no impact on the consolidated profit and loss account for the period.

TURNOVER
Turnover represents the value of goods despatched or services rendered to customers, excluding value added tax and inter-group transactions. In respect of long-term contracts turnover is calculated on the basis of the stage of completion and the total sales value of each contract.

REVALUATION OF PROPERTIES
Prior to 1999, some freehold and leasehold properties were revalued. On adoption of FRS 15 in 1999, the Group followed the transitional rules to retain the book value of land and buildings. Transfers are made to retained profits each year in order to amortise surpluses over the remaining useful lives of the properties. On disposal the profit or loss is calculated by reference to the net book value and any unamortised revaluation surplus is transferred from revaluation reserves to retained profits.

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

LONG-TERM CONTRACTS
Turnover on long-term contracts is recognised according to the stage reached in the contract by reference to the value of work done. A reliable estimate of the profit attributable to work completed is recognised once the outcome of a contract can be assessed with reasonable certainty. The amount by which the turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts. The costs incurred on long-term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown as work in progress.

INVESTMENTS
Investments are stated at cost less any amounts written off in respect of impairment.

FINANCIAL INSTRUMENTS AND DERIVATIVES
The Group's accounting policy for derivatives is to defer the recognition in the Group profit and loss account of gains and losses on hedges of revenues, operating payments and capital expenditure until such time as the underlying transactions are recognised.

Forward foreign exchange contracts entered into as hedges of future purchases and sales denominated in foreign currencies are recorded at cost. Gains and losses are deferred and matched to the underlying transaction when it matures.

Interest rate collar agreements taken out are recorded at cost in the balance sheet and amortised over the period of the agreements. Amounts payable or receivable in respect of interest rate collar agreements are recognised in the net interest payable charge on an accruals basis.

Interest rate swap agreements are used to manage interest rate exposures. Amounts payable or receivable in respect of these derivatives are recognised as adjustments to the interest expense over the period of the agreements.

Finance costs associated with debt instruments are charged to the profit and loss account at a constant rate of return.

Statement of Accounting Policies
continued

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

GOODWILL
Goodwill in respect of acquisitions since 31 August 1998 has been capitalised on the balance sheet and is being amortised over periods not exceeding 20 years in line with the directors' view of their useful economic lives.

Goodwill in respect of acquisitions prior to 31 August 1998 remains eliminated against reserves. This goodwill had been eliminated as a matter of accounting policy and will be charged or credited in the profit and loss account on any subsequent disposal.

Negative goodwill arose in the period on the acquisition of Carrs Animal Feed Supplements Limited (formerly Meneba UK Holdings Limited). This is being released to the profit and loss account on a basis consistent with the useful economic life of the non-monetary assets acquired.

OTHER INTANGIBLE ASSETS
Other intangible assets are capitalised on the balance sheet and amortised over periods not exceeding 20 years in line with the directors' view of their useful economic lives.

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

Freehold and long leasehold properties	2%
Short leasehold property	10%
Plant and equipment	5% – 25%

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

Revenue grants and contributions are credited to the profit and loss account in the year to which they apply.

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

Depreciation on the relevant assets is charged to the profit and loss account in equal annual instalments over the shorter of the lease terms and the estimated useful lives of the assets.

Lease payments are treated as consisting of capital and interest elements and the interest is charged using the actuarial method.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight line basis.

PENSION COSTS
The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services. The difference between the charge to the profit and loss account and the contributions paid to the scheme is included as an asset or liability in the balance sheet.

FOREIGN CURRENCIES
Assets and liabilities of subsidiaries recorded in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year and the results of foreign subsidiaries are translated at the average rate of exchange for the year. Differences on exchange arising from the retranslation of the opening net investment in subsidiary companies, and from the translation of the results of those companies at average rate, are taken to reserves and are reported in the statement of total recognised gains and losses. All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.

1 The Company has taken advantage of the exemption, under section 230 of the Companies Act 1985, from presenting its own profit and loss account. The profit after tax for the period dealt with in the accounts of the Company was £5,326,000 (2004: £1,533,000).

2 **SEGMENTAL ANALYSIS**

The analysis by class of business of the turnover, profit before taxation and net assets is set out below:

	Turnover		Profit before tax		Net assets	
	2005	2004	**2005**	2004	**2005**	2004
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Business analysis						
Agriculture - Group	**132,662**	124,443	**5,002**	4,991	**6,766**	5,619
- Associate	**—**	—	**(720)**	739	**1,461**	1,992
	132,662	124,443	**4,282**	5,730	**8,227**	7,611
Food	**48,004**	21,990	**1,866**	268	**9,876**	4,879
Engineering - Normal	**11,458**	9,316	**282**	(14)	**5,422**	4,225
- Exceptional	**—**	—	**4,110**	—	**—**	—
Central	**—**	—	**(334)**	(209)	**7,746**	8,595
Net interest payable	**—**	—	**(1,190)**	(648)	**—**	—
Total	**192,124**	155,749	**9,016**	5,127	**31,271**	25,310
- Group	**192,124**	155,749	**9,834**	4,461	**29,810**	23,318
- Associate	**—**	—	**(818)**	666	**1,461**	1,992
Geographical analysis						
United Kingdom - Group	**184,721**	147,369	**10,812**	4,548	**19,081**	11,961
- Associate	**—**	—	**(720)**	739	**1,461**	1,992
	184,721	147,369	**10,092**	5,287	**20,542**	13,953
Continental Europe	**476**	1,228	**(83)**	(46)	**(119)**	(59)
North America	**6,927**	7,152	**531**	743	**3,102**	2,821
Central	**—**	—	**(334)**	(209)	**7,746**	8,595
	192,124	155,749	**10,206**	5,775	**31,271**	25,310
Net interest payable	**—**	—	**(1,190)**	(648)	**—**	—
Total	**192,124**	155,749	**9,016**	5,127	**31,271**	25,310
- Group	**192,124**	155,749	**9,834**	4,461	**29,810**	23,318
- Associate	**—**	—	**(818)**	666	**1,461**	1,992

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

Turnover between segments is not material.

The activities of B&A Travel are not material and are included in the engineering segment.

The share of the loss in the associate is after the deduction of exceptional reorganisation costs of £885,000.

Included within the operating profit of the food division are exceptional reorganisation costs of £350,000.

Included in the Group's food activities are the following amounts relating to acquisitions: turnover £26,299,000 (2004: £nil), profit before interest and tax £1,043,000 (2004: £nil) and net assets £5,367,000 (2004: £nil).

Included in the Group's agriculture activities are the following amounts relating to acquisitions: turnover £6,949,000 (2004: £nil), loss before interest and tax £111,000 (2004: £nil) and net assets £1,656,000 (2004: £nil).

Notes to the Financial Statements
continued

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

	2005		2004	
	£'000	£'000	£'000	£'000
Turnover		**192,124**		155,749
Cost of sales		**(161,532)**		(132,464)
Gross profit		**30,592**		23,285
Net operating expenses				
Distribution costs	**(13,196)**		(9,446)	
Administrative expenses - normal	**(10,230)**		(8,803)	
- exceptional (see note 5)	**(350)**		—	
	(10,580)		(8,803)	
		(23,776)		(18,249)
Group operating profit		**6,816**		5,036
Share of profit in associate - normal	**165**		739	
- exceptional (see note 5)	**(885)**		—	
		(720)		739
Total operating profit: Group and share of associate		**6,096**		5,775

The total figures for continuing operations in 2005 include the following amounts relating to acquisitions: turnover £33,248,000, cost of sales £27,298,000, gross profit £5,950,000 and net operating expenses £5,018,000 (being distribution costs £3,427,000 and administrative expenses £1,591,000).

4 GROUP OPERATING PROFIT

	2005	2004
	£'000	£'000
Group operating profit is stated after crediting:		
Amortisation of grants	**50**	59
Profit on disposal of tangible fixed assets	**125**	108
And after charging:		
Depreciation of tangible fixed assets held under finance leases	**683**	491
Depreciation of owned tangible fixed assets	**2,578**	1,876
Hire of plant and equipment	**233**	241
Hire of other assets	**12**	16
Amortisation of intangible fixed assets	**(9)**	38
Auditors' remuneration for audit (Company £10,000; 2004: £10,000)	**149**	110
Auditors' remuneration for other services	**71**	55

5 EXCEPTIONAL ITEMS

	2005		2004	
	Amount £'000	Tax credit £'000	Amount £'000	Tax credit £'000
Cost of reorganising Food Division	**(350)**	**105**	—	—
Cost of reorganising associate	**(885)**	**258**	—	—
Total exceptional operating expenses	**(1,235)**	**363**	—	—
Profit on disposal of fixed assets	**4,110**	**—**	—	—
Total exceptional items	**2,875**	**363**	—	—
Profit before tax	**9,016**		5,127	
Exceptional items	**2,875**		—	
Profit before tax and exceptional items	**6,141**		5,127	
Operating profit	**6,096**		5,775	
Exceptional operating expenses	**(1,235)**		—	
Operating profit before exceptional operating expenses	**7,331**		5,775	

During the period Carrs Engineering Limited (a wholly owned subsidiary of Carr's Milling Industries Plc) sold its property known as the Bendalls site realising a profit of £4,110,000. The property was sold for a cash consideration of £2,846,000 net of expenses. In addition the purchaser built a new 5,000 square metres factory on behalf of Carrs Engineering Limited, which has been capitalised within fixed assets. The total cost included within land and buildings at the period end in respect of this new factory is £2,958,000.

6 STAFF COSTS

	2005 £'000	2004 £'000
Wages and salaries	**15,434**	12,025
Social security costs	**1,653**	1,180
Other pension costs	**2,276**	1,897
	19,363	15,102

The average monthly number of employees during the period was made up as follows:	2005 Number	2004 Number
Sales, office and management	**365**	331
Manufacture and distribution	**294**	227
	659	558

Details of directors' emoluments are given in the Directors' Remuneration Report.

7 INTEREST RECEIVABLE AND OTHER INCOME

	2005 £'000	2004 £'000
Bank interest	**75**	105
Other	**18**	11
	93	116

Notes to the Financial Statements
continued

8 INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £'000	2004 £'000
On bank overdrafts	**515**	413
On bank loans and other loans	**437**	134
On finance leases and hire purchase contracts	**111**	88
Other	**122**	56
Group interest payable	**1,185**	691
Share of associate interest payable	**98**	73
Total interest payable	**1,283**	764

9 TAXATION

	2005 £'000	2004 £'000
(a) Analysis of charge in the period		
Current tax:		
UK corporation tax		
current period	**1,797**	1,428
prior period	**24**	(47)
Foreign tax		
current period	**270**	287
prior period	**—**	(2)
Group current tax	**2,091**	1,666
Associate		
current period	**(119)**	143
Total current tax	**1,972**	1,809
Deferred tax:		
Origination and reversal of timing differences		
Group	**(179)**	(168)
Associate	**(168)**	(8)
Total deferred tax	**(347)**	(176)
Tax on profit on ordinary activities	**1,625**	1,633

(b) Factors affecting tax charge for the period

The tax assessed for the period is lower (2004: higher) than the rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	**9,016**	5,127
Profit on ordinary activities before tax @ 30%	**2,705**	1,538
Effects of		
Non taxable profit on disposal of fixed assets	**(1,191)**	—
Expenses not deductible for tax purposes	**107**	76
Capital allowances in excess of depreciation	**(175)**	(1)
Movements on short-term timing differences	**37**	118
Overseas profits taxed at higher rates	**30**	12
Tax at marginal rates	**—**	(1)
Tax losses not Group relieved	**435**	116
Adjustments relating to prior years' tax charge	**24**	(49)
Current period corporation tax charge	**1,972**	1,809

(c) Factors that may affect future tax charges

There are no factors that are expected to significantly affect the taxation charge in future years.

10 DIVIDENDS

Equity	2005 £'000	2004 £'000
Ordinary – Interim paid of 5.0p per 25.0p share (2004: 4.5p)	**410**	363
– Final proposed of 11.0p per 25.0p share (2004: 9.0p)	**903**	727
	1,313	1,090

11 EARNINGS PER ORDINARY SHARE

Earnings per share are calculated by reference to a weighted average of 8,127,328 shares (2004: 8,073,599) in issue during the period.

Exceptional costs charged against the operating profit and non-operating exceptional gains do not relate to the profitability of the Group on an ongoing basis. Therefore an adjusted earnings per share is presented as follows:

	2005 Earnings £'000	2005 Earnings per share pence	2004 Earnings £'000	2004 Earnings per share pence
Earnings per share - basic	**7,115**	**87.5**	3,219	39.9
Exceptional items				
Cost of reorganising Food Division	**350**	**4.3**	—	—
Cost of reorganising associate	**885**	**10.9**	—	—
Profit on disposal of fixed assets	**(4,110)**	**(50.5)**	—	—
Taxation arising on exceptional items	**(363)**	**(4.5)**	—	—
Earnings per share - adjusted	**3,877**	**47.7**	3,219	39.9

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 Group has two categories of dilutive potential ordinary shares: share options granted to directors and share options granted to senior management, where the exercise price is less than the average market price of the Company's ordinary shares during the period.

	2005 Earnings £'000	2005 Weighted average number of shares	2005 Earnings per share pence	2004 Earnings £'000	2004 Weighted average number of shares	2004 Earnings per share pence
Earnings per share	**7,115**	**8,127,328**	**87.5**	3,219	8,073,599	39.9
Effect of dilutive securities:						
Options	**—**	**158,591**	**(1.6)**	—	12,551	(0.1)
Diluted earnings per share	**7,115**	**8,285,919**	**85.9**	3,219	8,086,150	39.8

Notes to the Financial Statements
continued

12 INTANGIBLE FIXED ASSETS

Group	Negative Goodwill £'000	Goodwill £'000	Others £'000	Total £'000
Cost				
At 29/08/04	—	173	160	333
Additions	(639)	(441)	—	(198)
Disposals	—	(73)	—	(73)
At 03/09/05	**(639)**	**541**	**160**	**62**
Amortisation				
At 29/08/04	—	133	16	149
Charge for period	(100)	59	32	(9)
Disposals	—	(73)	—	(73)
At 03/09/05	**(100)**	**119**	**48**	**67**
Net book value				
At 03/09/05	**(539)**	**422**	**112**	**(5)**
At 28/08/04	—	40	144	184

The trade and certain assets of George Shackleton & Sons Limited were disposed of on 30 March 2005. There was no profit or loss arising on disposal.

Goodwill of £100,000 arose on the acquisition of the trade and certain assets of Angus Fertilizers Limited and is being amortised on a straight line basis over five years. This is the period over which the directors estimate that the value of the underlying business acquired is expected to exceed the value of these underlying assets.

Negative goodwill of £639,000 arose on the acquisition of the entire ordinary share capital of Carrs Animal Feed Supplements Limited (formerly Meneba UK Holdings Limited) (see note 25).

This negative goodwill has been allocated to the non-monetary assets of the Company at acquisition and is being released to the profit and loss account on a basis consistent with the useful economic life of those assets.

Goodwill of £326,000 arose on the acquisition of the entire ordinary share capital of Wallace Oils Holdings Limited by Carrs Billington Agriculture (Sales) Limited. This is being amortised on a straight line basis over five years (see note 25).

Goodwill of £115,000 arose on the purchase of further shares in Northern Feeds Solutions Limited. This is being amortised on a straight line basis over five years.

Other intangible assets represent purchased know-how and are being amortised on a straight line basis over five years, being the directors' estimate of the useful economic life.

13 TANGIBLE FIXED ASSETS

Group	Land and buildings £'000	Plant and equipment £'000	Assets in course of construction £'000	Total £'000
Cost or valuation				
At 29/08/04	12,645	24,973	567	38,185
Exchange differences	(24)	(86)	(4)	(114)
Subsidiaries acquired	4,899	9,411	—	14,310
Additions	2,740	2,245	1,154	6,139
Disposals	(1,276)	(1,390)	—	(2,666)
Reclassifications	31	1,216	(1,247)	—
At 03/09/05	**19,015**	**36,369**	**470**	**55,854**
Depreciation				
At 29/08/04	2,199	15,512	—	17,711
Exchange differences	(6)	(43)	—	(49)
Subsidiaries acquired	397	5,942	—	6,339
Charge for the period	579	2,682	—	3,261
Disposals	(374)	(1,266)	—	(1,640)
At 03/09/05	**2,795**	**22,827**	**—**	**25,622**
Net book value				
At 03/09/05	**16,220**	**13,542**	**470**	**30,232**
At 28/08/04	10,446	9,461	567	20,474
Cost or valuation at 03/09/05 is represented by				
Valuation in 1995	3,060	—	—	3,060
Valuation in 1998	498	—	—	498
Cost	15,457	36,369	470	52,296
	19,015	36,369	470	55,854

The flour mill at Silloth-on-Solway was revalued on the basis of depreciated replacement cost at open market value for existing use at 31 August 1995 by G. F. Singleton and Company, Chartered Surveyors. Following the decomissioning of the animal feed mill in August 1998 the portion of the building that remains in use was revalued on the basis of depreciated replacement cost by G. F. Singleton and Company, Chartered Surveyors, at 29 August 1998. Other land and buildings, with the exception of properties constructed or land acquired in 1995 and subsequent years, were valued at open market value for existing use at 31 August 1995 by Carigiet Cowen, Chartered Surveyors. If land and buildings had not been revalued they would have been included at the following amounts:

	2005 £'000	2004 £'000
Cost	**17,937**	11,567
Aggregate depreciation based on cost	**(3,349)**	(2,784)
Net book amount based on historical cost	**14,588**	8,783
The net book value of land and buildings comprises:		
Freehold	**12,157**	8,876
Long leasehold	**4,063**	1,570
	16,220	10,446

The net book value of plant and equipment includes £2,410,782 (2004: £1,765,827) in respect of assets held under finance leases. The Company has no tangible fixed assets.

Notes to the Financial Statements
continued

14 INVESTMENTS

Group	Joint venture £'000	Associate £'000	Loans to associate £'000	Other investments £'000	Total £'000
Cost					
At 29/08/04	—	1,992	1,225	271	3,488
Subsidiaries acquired	—	—	—	1	1
Additions	172	—	—	1	173
Share of loss	—	(531)	—	—	(531)
At 03/09/05	**172**	**1,461**	**1,225**	**273**	**3,131**
Amounts written off at 29/08/04 and 03/09/05	**—**	**—**	**—**	**18**	**18**
Net book value					
At 03/09/05	**172**	**1,461**	**1,225**	**255**	**3,113**
At 28/08/04	—	1,992	1,225	253	3,470

Company	Joint venture £'000	Associate £'000	Loans to associate £'000	Shares in subsidiaries £'000	Other investments £'000	Total £'000
Cost						
At 29/08/04	—	245	1,225	12,631	211	14,312
Additions	172	—	—	5,527	—	5,699
At 03/09/05	**172**	**245**	**1,225**	**18,158**	**211**	**20,011**
Amounts written off						
At 29/08/04	—	—	—	5,261	9	5,270
Provision in the period	—	—	—	(175)	—	(175)
At 03/09/05	**—**	**—**	**—**	**5,086**	**9**	**5,095**
Net book value						
At 03/09/05	**172**	**245**	**1,225**	**13,072**	**202**	**14,916**
At 28/08/04	—	245	1,225	7,370	202	9,042

Other investments comprise of shares in several private limited companies.

During the period the Company acquired 50% of the Share Capital of Crystalyx Products GmbH, a company incorporated in Germany, under a joint venture arrangement. The cash consideration paid was €250,000.

14 INVESTMENTS (CONTINUED)

	Proportion of Shares Held			
	Ordinary	Preference	Country of	
Name	%	%	Incorporation	Activity
Subsidiaries:				
Carrs Agriculture Ltd.	100	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 Limited	43	—	England	Agricultural retailers
Wallace Oils Holdings Ltd.	100	—	Scotland	Holding company
Wallace Oils Ltd.	100	—	Scotland	Suppliers of fuel oils and lubricants
Carr's Flour Mills Ltd.	100	100	England	Flour milling
George Shackleton & Sons Ltd.	100	—	Eire	Suppliers of flour and food ingredients
Carrs Animal Feed Supplements Ltd. (formerly Meneba UK Holdings Ltd.)	100	—	England	Holding company
Robert Hutchison and Sons Ltd.	100	—	England	Flour milling
Greens Flour Mills Ltd.	100	—	England	Flour milling
Carrs Engineering Ltd.	100	100	England	Engineering
Bowie and Aram Ltd.	100	—	Scotland	Travel agents
B.R.B. Trust Ltd.	100	100	England	Financial services
Carrs Properties Ltd.	100	—	England	Property holding
Associate:				
Carrs Billington Agriculture (Operations) Ltd.	49	—	England	Manufacture of animal feed
Joint venture:				
Crystalyx Products GmbH	50	—	Germany	Manufacture of animal feed blocks

Investments in the subsidiaries listed above are held directly by the holding company with the following exceptions: George Shackleton & Sons Limited is held by Carr's Flour Mills Limited and Northern Feeds Solutions Limited, Wallace Oils Holdings Limited and Wallace Oils Limited are subsidiaries of Carrs Billington Agriculture (Sales) Limited.

George Shackleton & Sons Limited ceased to trade in the period. The directors do not consider this sufficiently material to classify as discontinued operations.

During the period Carrs Billington Agricultural (Sales) Limited increased its shareholding in Northern Feeds Solutions Limited to 84%.

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.

15 STOCKS

Group	**2005 £'000**	2004 £'000
Raw material and consumables	**4,574**	4,163
Work in progress	**1,784**	1,013
Finished goods and goods for resale	**6,589**	5,211
	12,947	10,387

The Company has no stocks.

Notes to the Financial Statements
continued

16 DEBTORS

	Group		Company	
	2005	2004	**2005**	2004
	£'000	£'000	**£'000**	£'000
Amounts receivable within one year:				
Trade debtors	**32,060**	17,792	**—**	—
Amounts recoverable on contracts	**189**	383	**—**	—
Amounts owed by Group undertakings	**—**	—	**13,913**	8,905
Corporation tax recoverable	**87**	82	**410**	391
Group taxation relief	**—**	—	**192**	72
Amounts owed by associate (see note 35)	**391**	104	**—**	—
Other debtors	**1,372**	1,025	**47**	64
Prepayments and accrued income	**651**	382	**88**	48
Dividends due from Group undertakings	**—**	—	**5,754**	2,152
	34,750	19,768	**20,404**	11,632
Amounts receivable after more than one year:				
Other debtors	**23**	5	**—**	—
Deferred tax asset	**204**	170	**242**	148
	34,977	19,943	**20,646**	11,780

17 CREDITORS

	Group		Company	
	2005	2004	**2005**	2004
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year:				
Bank and other borrowings (see note 19)	**8,641**	2,969	**3,023**	1,077
Other non-interest bearing loans (see note 19)	**1,225**	490	**—**	—
Payments on account	**1,481**	1,003	**—**	—
Trade creditors	**17,242**	9,369	**—**	—
Amounts owed to Group undertakings	**—**	—	**4,313**	1,436
Amounts owed to associate (see note 35)	**5,787**	5,135	**—**	—
Corporation tax	**1,581**	944	**—**	—
Other taxes and social security payable	**1,214**	1,297	**136**	79
Other creditors	**1,310**	766	**67**	—
Finance leases (see note 19)	**800**	554	**—**	—
Accruals	**3,046**	2,011	**1,121**	880
Dividends payable	**903**	727	**903**	727
	43,230	25,265	**9,563**	4,199

18 CREDITORS

	Group		Company	
	2005	2004	**2005**	2004
	£'000	£'000	**£'000**	£'000
Amounts falling due after more than one year:				
Bank loans (see note 19)	**6,503**	1,400	**6,503**	1,400
Other non-interest bearing loans (see note 19)	**31**	765	**—**	—
Other creditors (see note 19)	**1,102**	943	**—**	—
Finance leases (see note 19)	**865**	671	**—**	—
	8,501	3,779	**6,503**	1,400

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

The other non-interest bearing loan has no fixed date for repayment, the bank loans are repayable by installments and the overdraft is repayable on demand.

Bank loans falling due after more than one year includes a revolving credit facility of £4.5m which is not repayable until October 2009.

19 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Set out below are the narrative and numerical disclosures required by Financial Reporting Standard (FRS) 13 "Derivatives and other financial instruments".

The Group's financial instruments, other than derivatives, comprise borrowings, some cash and liquid resources, and various items such as trade debtors, trade creditors etc., that arise directly from its operations. The main purpose of these financial instruments is to manage the finance for the Group's operations.

The Group also enters into derivatives transactions (principally foreign currency contracts and interest rate caps). The purpose of such transactions is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

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.

Short-term debtors and creditors

Short-term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosures.

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group borrows in the desired currencies at fixed and floating rates of interest and then uses interest rate collars and swaps to manage the Group's exposure to interest rate fluctuations. At the year end £6.569 million (2004: £1.225 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. The Group's sterling balance sheet is not protected from movements in US dollar/sterling exchange rate. The foreign currency risk in relation to the Group's other overseas subsidiary, George Shackleton & Sons Limited which operates in Eire, is insignificant.

19 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk profile of financial liabilities

The interest rate risk profile of the Group's financial liabilities at 3 September 2005 was:

	2005				2004			
Currency	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities on which no interest is paid £'000	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities on which no interest is paid £'000
Sterling	**18,020**	**10,195**	**6,569**	**1,256**	6,689	4,209	1,225	1,255
US Dollar	**1,147**	**45**	**—**	**1,102**	1,103	160	—	943
	19,167	**10,240**	**6,569**	**2,358**	7,792	4,369	1,225	2,198

All the Group's creditors falling due within one year (other than bank, other borrowings and finance leases) are excluded from the above table either due to the exclusion of short-term items or because they do not meet the definition of a financial liability, such as tax balances.

The effect of the Group's interest rate swap is to classify £4.9 million of sterling floating rate borrowings in the above table as fixed rate.

	Fixed rate financial liabilities				Financial liabilities on which no interest is paid	
	Weighted average interest rate		Weighted average period for which rate is fixed		Weighted average period until maturity	
Currency	2005	2004	2005	2004	2005	2004
Sterling	**6.2%**	6.0%	**2.88 years**	1.51 years	**1.92 years**	2.14 years

The floating rate financial liability in sterling bears interest at 1% over the Bank of England base rate, 1.25% or 1.125% over LIBOR and in US dollar bears interest at 1% over the US prime rate.

Interest rate risk profile of financial assets

Currency	2005 Cash at bank and in hand £'000	2004 Cash at bank and in hand £'000
Sterling	**3,066**	910
Euro	**20**	25
US Dollar	**63**	156
	3,149	1,091
Floating rate	**3,129**	1,066
Non-interest bearing	**20**	25
	3,149	1,091

Other investments of £255,000 (2004: £253,000) and other debtors of £23,000 (2004: £5,000) are all non-interest bearing and denominated in sterling. They have no period to maturity.

The above analysis excludes deferred taxation recoverable after more than one year as required by FRS 13.

19 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)

Currency exposures

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than their local currency. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account of the relevant group company.

	Net foreign currency monetary assets/(liabilities)							
	2005				2004			
	Sterling	US Dollar	Euro	Total	Sterling	US Dollar	Euro	Total
Functional currency of Group operations:	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sterling	**—**	**(845)**	**939**	**94**	—	(1,347)	648	(699)
Euro	**(74)**	**—**	**—**	**(74)**	(36)	—	—	(36)
	(74)	**(845)**	**939**	**20**	(36)	(1,347)	648	(735)

Maturity of financial liabilities

The maturity profile of the carrying amount of the Group's financial liabilities, other than the short-term creditors such as trade creditors and accruals, at 3 September 2005 was as follows:

	Debt £'000	Finance leases £'000	Other financial liabilities £'000	2005 Total £'000	Debt £'000	Finance leases £'000	Other financial liabilities £'000	2004 Total £'000
Within one year or on demand	**9,866**	**800**	**—**	**10,666**	3,459	554	—	4,013
Between one and two years	**924**	**569**	**—**	**1,493**	1,565	388	—	1,953
Between two and five years	**5,610**	**296**	**1,102**	**7,008**	600	283	943	1,826
	16,400	**1,665**	**1,102**	**19,167**	5,624	1,225	943	7,792

Borrowing facilities

The Group had various undrawn committed facilities. The facilities available at 3 September 2005, in respect of which all conditions precedent had been met, were as follows:

	2005 Floating rate £'000	2004 Floating rate £'000
Expiring in one year or less	**9,695**	8,888

The undrawn facilities expiring within one year are annual facilities subject to review at various dates during December 2005/January 2006.

19 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of financial assets and financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair values of the Group's financial assets and financial liabilities at 3 September 2005. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale, and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest and exchange rates.

	2005		2004	
	Book value £'000	**Fair value £'000**	Book value £'000	Fair value £'000
Primary financial instruments held or issued to finance the Group's operations:				
Short-term financial liabilities and current portion of long-term borrowings	**(10,666)**	**(10,666)**	(4,013)	(4,013)
Long-term borrowings excluding current portion	**(7,399)**	**(6,006)**	(2,836)	(2,688)
Other creditors due after more than one year	**(1,102)**	**(1,102)**	(943)	(943)
Cash at bank and in hand	**3,149**	**3,149**	1,091	1,091
Other investments	**255**	**255**	253	253
Other debtors due after more than one year	**23**	**23**	5	5
Derivative financial instruments held to manage the interest rate and currency profile:				
Forward foreign currency contracts	**—**	**—**	—	5
Interest rate swaps	**—**	**(106)**	—	—

The fair value of the forward foreign currency contracts are based on the market price of comparable instruments at the balance sheet date. The fair value of the short-term borrowings and cash at bank approximates to the carrying amount because of the short maturity of these instruments.

Gains and losses on hedges

The Group enters into forward foreign currency contracts to eliminate the currency exposures that arise on purchases denominated in foreign currencies immediately those purchases are transacted. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures. An analysis of these unrecognised gains and losses has not been provided as the balances were under £50,000. This was also the case for the year ended 28 August 2004.

20 PROVISIONS FOR LIABILITIES AND CHARGES

Group	Deferred tax £'000
At 28/08/04	951
Exchange adjustments	5
Arising on acquisitions	415
Movement in deferred tax asset shown in debtors (see note 16)	34
Credit to the profit and loss account	(179)
At 03/09/05	**1,226**

20 PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

Deferred taxation

Deferred taxation provided in the accounts is as follows:

	Amount provided		Amount unprovided	
	2005	2004	**2005**	2004
	£'000	£'000	**£'000**	£'000
Tax effect of timing differences	**(517)**	(396)	**—**	—
Excess of tax allowances over depreciation	**1,545**	1,177	**(1)**	—
Losses	**(6)**	—	**(481)**	(485)
Capital gains/revaluation surpluses	**—**	—	**1,026**	307
Deferred tax at 03/09/05	**1,022**	781	**544**	(178)
Deferred tax asset shown in debtors (see note 16)	**204**	170	**—**	—
Deferred tax liability at 03/09/05	**1,226**	951	**544**	(178)

The potential deferred tax liability has not been provided as it is not considered probable that it will be payable in the foreseeable future.

21 DEFERRED INCOME

	Grants
	2005
Group	**£'000**
At 28/08/04	**244**
Arising on acquisitions	**25**
Amortisation in the period	**(50)**
Provision for repayment	**(34)**
At 03/09/05	**185**

22 CALLED-UP SHARE CAPITAL

	Group and Company	
	2005	2004
	£'000	£'000
Authorised:		
10,500,000 ordinary shares of 25p each (2004: 10,500,000)	**2,625**	2,625
Allotted and fully paid:		
8,213,579 ordinary shares of 25p each (2004: 8,073,599)	**2,053**	2,018

Option schemes

Outstanding share options

	2005	2004	Price Range	Dates of Grant
Executive scheme	**—**	39,380	81.5p - 212p	1992 - 1994
Executive scheme 1996	**90,000**	90,000	161p	2002
Company plan 1996	**—**	9,600	310.5p	1996 - 1997
Company plan 1996	**57,000**	148,000	161p	2002

During the period 139,980 (2004: nil) shares were issued under share option schemes.

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

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23 RESERVES AND MINORITY INTEREST

Group	Share Premium Account £'000	Revaluation Reserve £'000	Profit and Loss Account £'000	Minority Interests £'000
At 28/08/04	4,752	1,663	15,605	1,272
Exchange adjustments	—	—	(80)	—
Elimination of goodwill arising on prior years' acquisitions	—	—	(406)	—
Minority interest on increase in shareholding in subsidiary	—	—	—	109
Share options exercised	225	—	—	—
Transfer from revaluation reserve to profit and loss account	—	(31)	31	—
Retained profit for the period	—	—	5,802	—
Minority share of profit	—	—	—	276
At 03/09/05	**4,977**	**1,632**	**20,952**	**1,657**
Company				
At 28/08/04	4,752	—	8,453	—
Share options exercised	225	—	—	—
Retained profit for the period	—	—	4,013	—
At 03/09/05	**4,977**	**—**	**12,466**	**—**

The elimination of goodwill arising on prior years' acquisitions of £406,000 is in respect of deferred consideration on the acquisition of James A Bendall (Property) Limited. This acquisition was made prior to 31 August 1998 and therefore the adjustment to the original goodwill has been accounted for in accordance with the standards in force at that time.

Cumulative goodwill relating to acquisitions made prior to 31 August 1998, which has been eliminated against Group reserves, amounts to £5,448,000 (2004: £5,042,000).

Additional minority interest arose during the period on the increase in the shareholding of Northern Feeds Solutions Limited by Carrs Billington Agriculture (Sales) Limited. This represents the reduction of the minority interest in the negative net assets of Northern Feeds Solutions Limited on the date that the additional shares were acquired.

24 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Group		Company	
	2005 £'000	2004 £'000	**2005 £'000**	2004 £'000
Profit for the financial period	**7,115**	3,219	**5,326**	1,533
Dividends	**(1,313)**	(1,090)	**(1,313)**	(1,090)
	5,802	2,129	**4,013**	443
Exchange differences	**(80)**	(330)	**—**	—
Elimination of goodwill arising on prior years' acquisitions	**(406)**	—	**—**	—
New shares issued	**260**	—	**260**	—
Net increase in equity shareholders' funds	**5,576**	1,799	**4,273**	443
Opening equity shareholders' funds	**24,038**	22,239	**15,223**	14,780
Closing equity shareholders' funds	**29,614**	24,038	**19,496**	15,223

25 ACQUISITIONS

Carrs Animal Feed Supplements Limited

On 18 November 2004 the Company acquired the whole of the issued share capital of Carrs Animal Feed Supplements Limited (formerly Meneba UK Holdings Limited) for a total cash consideration including costs of £5,121,000.

The total adjustments required to the book values of the assets and liabilities of the acquired company in order to present the net assets at fair values and in accordance with Group accounting principles were £569,000 details of which are set out below, together with the resultant amount of negative goodwill arising.

This purchase has been accounted for as an acquisition.

The summarised consolidated profit and loss account for Carrs Animal Feed Supplements Limited and its wholly owned subsidiaries for the period from 1 July 2004, the beginning of their financial year, to the date of the acquisition is as follows:

	Period ended 17 November 2004 £'000
Profit and Loss account	
Turnover	13,402
Operating profit	752
Profit on ordinary activities before taxation	637
Taxation on ordinary activities	(250)
Profit on ordinary activities after taxation	387

The profit on ordinary activities after taxation for the year ended 30 June 2004 was £287,000.

The Company has no recognised gains and losses other than the profit for the financial period shown above.

The assets and liabilities of Carrs Animal Feed Supplements Limited acquired are set out below:

	Book value £'000	Revaluations £'000	Goodwill elimination £'000	Other £'000	Fair value £'000
Intangible fixed assets	1,061		(1,061)		—
Tangible fixed assets	5,323	1,674			6,997
Stock	1,262				1,262
Debtors	5,760				5,760
Creditors	(4,048)				(4,048)
Taxation					
- Current	(321)				(321)
- Deferred	(263)			(44)	(307)
Cash	1,787				1,787
Loans	(5,370)				(5,370)
Net assets acquired	5,191	1,674	(1,061)	(44)	5,760
Negative goodwill					(639)
					5,121
Satisfied by:					
Cash					4,749
Acquisition expenses					372
					5,121

The fair value adjustments relate to the revaluation of the land and buildings acquired and the elimination of the book value of the purchased goodwill. Other fair value adjustments relate to deferred taxation being brought in line with Group policy.

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25 ACQUISITIONS (CONTINUED)

The acquired flour mills were valued on the basis of depreciated replacement cost at open market value for existing use and the freehold dwellings at market value at March 2005 by Strutt & Parker, Property Consultants.

The loan of £5,370,000 was repaid as a condition of the acquisition agreement.

Impact on cash flows

The acquisition contributed £1,793,000 to the Group's net operating cash flows, utilised £15,000 in respect of net returns on investment, utilised £235,000 in respect of capital expenditure, utilised £131,000 in respect of taxation and utilised £23,000 in respect of financing.

Wallace Oils Holdings Limited

On 28 April 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.

The total adjustments required to the book values of the assets and liabilities of the acquired company in order to present the net assets at fair values and in accordance with Group accounting principles were £24,000, details of which are set out below, together with the resultant amount of goodwill arising.

This purchase has been accounted for as an acquisition.

The summarised consolidated profit and loss account for Wallace Oils Holdings Limited and its wholly owned subsidiary for the period from 1 November 2004, the beginning of their financial year, to the date of the acquisition is as follows:

	Period ended 27 April 2005 £'000
Profit and Loss account	
Turnover	11,026
Operating profit	204
Profit on ordinary activities before taxation	191
Taxation on ordinary activities	(100)
Profit on ordinary activities after taxation	91

The profit on ordinary activities after taxation for the year ended 31 October 2004 was £77,867.

The Company has no recognised gains and losses other than the profit for the financial period shown above.

25 ACQUISITIONS (CONTINUED)

The assets and liabilities of Wallace Oils Holdings Limited acquired are set out below:

	Book value £'000	Revaluations £'000	Goodwill elimination £'000	Other £'000	Fair value £'000
Intangible fixed assets	3		(3)		—
Tangible fixed assets	956	18			974
Stock	289				289
Debtors	2,632				2,632
Creditors	(2,577)				(2,577)
Taxation					
- Current	(74)				(74)
- Deferred	(69)			(39)	(108)
Cash	284				284
Net assets acquired	1,444	18	(3)	(39)	1,420
Goodwill					326
					1,746
Satisfied by:					
Cash					1,324
Acquisition expenses					100
Deferred consideration					322
					1,746

The fair value adjustments relate to the revaluation of the land and buildings acquired and the elimination of the book value of the purchased goodwill. Other fair value adjustments relate to deferred taxation being brought in line with Group policy.

The acquired oil distribution depots were valued on the basis of market value for existing use at August 2005 by Carigiet Cowan, Chartered Surveyors.

The deferred consideration is payable over two years on achievement of profit targets.

Impact on cash flows

The acquisition utilised £918,000 of the Group's net operating cash flows, utilised £8,000 in respect of net returns on investment, utilised £36,000 in respect of capital expenditure, utilised £14,000 in respect of taxation and utilised £56,000 in respect of financing.

Other acquisitions

A payment of £406,000 was made in the period in respect of deferred consideration on the acquisition of James A Bendall (Property) Limited.

During the period Carrs Billington Agriculture (Sales) Limited increased its shareholding in Northern Feeds Solutions Limited to 84% for a cash consideration of £6,000 generating goodwill of £115,000. This transaction has increased the Group's shareholding in Northern Feeds Solutions Limited to 43%.

26 CASH INFLOW FROM OPERATING ACTIVITIES

Continuing operations	2005 £'000	2004 £'000
Group operating profit	**6,816**	5,036
Depreciation charge	**3,261**	2,367
Profit on disposal of fixed assets	**(125)**	(108)
Amortisation of intangible assets	**(9)**	38
Grants amortisation	**(50)**	(59)
Release of finance costs in accordance with FRS 4	**6**	—
Increase in stocks	**(1,009)**	(1,264)
Increase in debtors	**(6,603)**	(1,447)
Increase in creditors	**4,357**	1,860
Decrease in provisions	**—**	(167)
Net cash inflow from operating activities	**6,644**	6,256

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27 ANALYSIS OF NET DEBT

	At 29 August 2004 £'000	Cash flow £'000	Acquisitions (excluding cash and overdrafts) £'000	Other non-cash changes £'000	Exchange movements £'000	At 3 September 2005 £'000
Cash at bank and in hand	1,091	2,058	—	—	—	**3,149**
Bank overdrafts	(2,169)	1,531	—	—	(8)	**(646)**
	(1,078)	3,589	—	—	(8)	**2,503**
Loans and other borrowings: amounts falling due within one year	(1,290)	(12,293)	—	4,363	—	**(9,220)**
Loans: amounts falling due after more than one year	(2,165)	—	—	(4,369)	—	**(6,534)**
Finance leases: amounts falling due within one year	(554)	804	(647)	(403)	—	**(800)**
Finance leases: amounts falling due after more than one year	(671)	—	—	(194)	—	**(865)**
	(5,758)	(7,900)	(647)	(603)	(8)	**(14,916)**

Other non-cash changes relate to finance leases and transfers between categories of borrowings. It also includes the release of borrowing costs to the profit and loss account under FRS 4.

28 CASH FLOWS RELATING TO EXCEPTIONAL ITEMS

In 2005 operating cash flow includes under continuing operations an outflow of £350,000 (2004: £nil) which relates to the exceptional cost of reorganising the Food Division and, £nil (2004: £199,000) which relates to exceptional cost of reorganising the Agricultural Division. The cash consideration received on the disposal of the Bendall's site on London Road, Carlisle was £2,846,000 net of expenses. The disposal of the London Road site triggered a payment of £406,000 for the shares acquired in 1996 of James A Bendall (Property) Limited.

29 NET CASH INFLOW/(OUTFLOW) FROM FINANCING

	2005 £'000	2004 £'000
Share options exercised (see note 22)	**260**	—
Issue of minority interest share capital in subsidiary	**—**	1
New loans and other borrowings in period	**13,668**	—
Repayment of loans and other borrowings	**(1,375)**	(648)
Capital element of finance lease payments	**(804)**	(664)
	11,749	(1,311)

30 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2005 £'000	2004 £'000
Increase/(decrease) in cash in the period	**3,589**	(847)
Cash (inflow)/outflow from debt and lease financing	**(11,489)**	1,312
	(7,900)	465
Loans and finance leases acquired with subsidiaries	**(647)**	—
New finance leases	**(597)**	(609)
Release of finance costs under FRS 4	**(6)**	—
Exchange adjustments	**(8)**	1
	(9,158)	(143)
Net debt at 28 August 2004	**(5,758)**	(5,615)
Net debt at 3 September 2005	**(14,916)**	(5,758)

31 CAPITAL COMMITMENTS

	2005 £'000	2004 £'000
Capital expenditure that has been contracted for but has not been provided for in the accounts	**225**	81

32 OTHER FINANCIAL COMMITMENTS

At 3 September 2005 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	2005 £'000	2004 £'000	**2005 £'000**	2004 £'000
Expiring within one year	**—**	—	**7**	9
Expiring between two and five years inclusive	**—**	—	**126**	84
Expiring after five years	**16**	9	**1**	—
	16	9	**134**	93

33 CONTINGENT LIABILITIES

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 3 September 2005 amounted to £nil (2004: £nil).

The Company, together with certain subsidiary undertakings, has been granted a €1m letter of credit by Clydesdale Bank PLC in favour of Crystalyx Products GmbH, a new joint venture arrangement.

The Company, together with certain of its subsidiary undertakings, has entered into a guarantee with Royal Bank of Scotland PLC in respect of the overdraft with that bank, which at 3 September 2005 amounted to £601,000 (2004: £2,008,000).

The Company, together with its associate undertaking, has entered into a guarantee with Royal Bank of Scotland PLC in respect of its share of the overdraft with that bank, which at 3 September 2005 amounted to £1,047,000 (2004: £582,000).

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 as at 3 September 2005 was £429,000 (2004: £204,000).

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 as at 3 September 2005 amounts to £1,225,000 (2004: £nil).

34 PENSION COMMITMENTS

The Group participates in two defined benefit pension schemes, Carr's Milling Industries Pension Scheme 1993 and Carrs Billington Agriculture Pension Scheme. The Company has accounted for the schemes under SSAP 24 and adopted the transitional rules of FRS 17.

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 this scheme are held separately from those of the Group and are invested with an independent investment manager.

The pension expense for the defined contribution section of the scheme for the period was £177,000 (2004: £143,000). Contributions totalling £8,000 (2004: £nil) were payable to the fund at the year end and are included in creditors.

A Group Personal Pension plan was established on the acquisition of Carrs Animal Feed Supplements Limited (formerly Meneba UK Holdings Limited). Since the acquisition date, the pension expense for the period in respect of this scheme was £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. Pension scheme contributions are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the Group. The most recent valuation of the scheme was at 1 January 2003 and adopted the Projected Unit Method. It was assumed that the investment returns would be 7% per annum and that the salary increases would average 3.25% 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% per annum and price inflation and that GMPs would increase at the rate of 3% per annum.

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34 PENSION COMMITMENTS (CONTINUED)

The actuarial valuation as at 1 January 2003 shows that the market value of assets relating to the defined benefit section of the scheme was £18,997,000 and the actuarial value of those assets represented 66% of the actuarial value of benefits that had accrued to members, after allowing for expected future increases in earnings. At 1 January 2003, the scheme showed a deficit of £9,577,000.

An accrual of £781,000 (2004: £488,000) is included in the Group net assets representing the deficit of the amount funded over the accumulated pension expense.

The pension contribution made by the Group over the period to the defined benefit section was £1,296,000 (2004: £1,303,000). The deficit is being amortised, for SSAP 24 purposes, over 12 years being the average remaining service lives of the employees. The contribution rates payable by employer and employee were increased in 2003 following the triennial valuation of the scheme and will continue until reviewed at the next valuation due as at 1 January 2006.

The following disclosures, required by FRS 17, relate to the defined benefit section and exclude insured pension arrangements. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 1 January 2003 and updated on an approximate basis to 3 September 2005.

Assumptions

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	Carr's Milling Industries Pension Scheme 1993		
	2005	2004	2003
Inflation	**2.75%**	3.0%	2.5%
Salary increases	**3.75%**	4.0%	3.5%
Rate of discount	**5.4%**	6.0%	5.75%
Pension in payment increases:			
Pre 1 September 2001	**3.0%**	3.0%	3.0%
Post 1 September 2001	**2.75%**	3.0%	2.5%
Revaluation rate for deferred pensioners for pensions revaluing at 5.0% per annum or RPI if less	**2.75%**	3.0%	2.5%

Assets and liabilities of the scheme:

	2005 £'000	2004 £'000	2003 £'000
Assets	**27,437**	23,051	21,315
Liabilities	**(39,556)**	(33,991)	(32,068)
Deficit in the scheme	**(12,119)**	(10,940)	(10,753)
Related deferred tax asset	**3,636**	3,282	3,226
Net pension liability	**(8,483)**	(7,658)	(7,527)

The split of assets is as follows:

	2005	2004	2003
Equities	**53%**	53%	55%
Property	**6%**	—	—
Bonds	**39%**	40%	38%
Other	**2%**	7%	7%

Expected long-term rate of return

	2005 £'000	2004 £'000	2003 £'000
Equities	**7.5%**	7.75%	7.5%
Property	**6.5%**	—	—
Bonds	**5.0%**	6.0%	5.75%
Other	**4.5%**	6.0%	5.75%

Analysis of charge that would be made to the profit and loss account over the financial period

	2005 £'000	2004 £'000
Current service cost	**513**	476
Interest on pension scheme liabilities	**2,037**	1,841
Expected return on pension scheme assets	**(1,618)**	(1,451)
Total	**932**	866

Analysis of amounts which would be included within the statement of total recognised gains and losses

	Carr's Milling Industries Pension Scheme 1993	
	Amount 2005 £'000	Amount 2004 £'000
Difference between expected and actual return on assets	**2,018**	(397)
Experience gains and losses arising on the scheme liabilities	**(524)**	(308)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities	**(3,037)**	81
Total	**(1,543)**	(624)

Movement of balance sheet deficit figures during the period

	2005 £'000	2004 £'000
Deficit in scheme at beginning of period	**(10,940)**	(10,753)
Movement in period:		
Current service cost	**(513)**	(476)
Contributions	**1,296**	1,303
Net interest/return on assets	**(419)**	(390)
Actuarial loss	**(1,543)**	(624)
Deficit in scheme at end of period	**(12,119)**	(10,940)

	2005 £'000	2004 £'000	2003 £'000	2002 £'000
History of experience gains and losses				
Difference between expected and actual returns of scheme assets:				
Amount £'000	**2,018**	(397)	(280)	(3,784)
Percentage of scheme assets	**7.4%**	1.7%	1.3%	19.1%
Experience gains and losses on scheme liabilities:				
Amount £'000	**(524)**	(308)	(306)	(377)
Percentage of scheme liabilities	**1.3%**	0.9%	1.0%	1.4%
Total amount recognised in statement of total recognised gains and losses:				
Amount £'000	**(1,543)**	(624)	(3,583)	(5,016)
Percentage of scheme liabilities	**3.9%**	1.8%	11.2%	18.3%

Notes to the Financial Statements
continued

34 PENSION COMMITMENTS (CONTINUED)

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 £295,000 (2004: £169,000). This corresponds to a rate of employer contribution of 35% or 30% from 1 January 2004 and 51% or 46% from 1 September 2004 following the triennial valuation of the scheme as at 31 December 2003.

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 of 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 also offer a Group Personal Pension Plan to its employees and the pension expense for this plan in the period was £39,000 (2004: £36,000).

A defined contribution pension scheme was brought into the Group on the acquisition of Wallace Oils Holdings Limited by Carrs Billington Agriculture (Sales) Limited. Contributions of £3,000 have been made to this scheme since acquisition.

The following disclosures relate to the defined benefit section and exclude insured pension arrangements. 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 3 September 2005.

It is not possible to identify the underlying share of the pension scheme assets and liabilities that relate to Carr's Milling Industries PLC. Approximately 50% of the assets and liabilities of the pension scheme relate to Carr's Milling Industries PLC and on adoption of FRS 17, approximately 50% of the assets and liabilities will be included in the Group's financial statements.

34 PENSION COMMITMENTS (CONTINUED)

Assumptions

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	Carrs Billington Agriculture Pension Scheme		
	2005	2004	2003
Inflation	**2.73%**	2.84%	2.5%
Salary increases	**3.5%**	3.84%	3.5%
Rate of discount	**4.88%**	5.58%	5.42%
Pension in payment increases	**2.73%**	2.84%	2.5%
Revaluation rate for deferred pensioners for pensions revaluing at 5.0% per annum or RPI if less	**2.73%**	2.84%	2.5%

Assets and liabilities of the scheme:

	2005 £'000	2004 £'000	2003 £'000
Assets	**17,466**	14,820	14,116
Liabilities	**(23,943)**	(19,677)	(17,576)
Deficit in the scheme	**(6,477)**	(4,857)	(3,460)
Related deferred tax asset	**1,943**	1,457	1,038
Net pension liability	**(4,534)**	(3,400)	(2,422)

The split of assets is as follows:

	2005	2004	2003
Equities	**70%**	73%	74%
Bonds	**24%**	26%	25%
Cash	**6%**	1%	1%

Expected long-term rate of return

	2005 £'000	2004 £'000	2003 £'000
Equities	**6.7%**	7.2%	7.1%
Bonds	**4.2%**	4.7%	4.4%
Cash	**4.2%**	4.7%	4.4%

Analysis of charge that would be made to the profit and loss account over the financial period

	2005 £'000	2004 £'000
Current service cost	**130**	125
Interest on pension scheme liabilities	**1,086**	940
Expected return on pension scheme assets	**(965)**	(893)
Total	**251**	172

Notes to the Financial Statements
continued

34 PENSION COMMITMENTS (CONTINUED)

Analysis of amounts which would be included within the statement of total recognised gains and losses

	Carrs Billington Agriculture Pension Scheme	
	Amount 2005 £'000	Amount 2004 £'000
Difference between expected and actual return on assets	**1,688**	100
Experience gains and losses arising on the scheme liabilities	**—**	(814)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities	**(3,613)**	(814)
Total	**(1,925)**	(1,528)

Movement of balance sheet deficit figures during the period

	2005 £'000	2004 £'000
Deficit in scheme at beginning of period	**(4,857)**	(3,460)
Movement in period:		
Current service cost	**(130)**	(125)
Contributions	**556**	303
Net interest/return on assets	**(121)**	(47)
Actuarial loss	**(1,925)**	(1,528)
Deficit in scheme at end of period	**(6,477)**	(4,857)

	2005 £'000	2004 £'000	2003 £'000	2002 £'000
History of experience gains and losses				
Difference between expected and actual returns of scheme assets:				
Amount £'000	**1,688**	100	136	(2,866)
Percentage of scheme assets	**9.7%**	0.7%	1.0%	21.0%
Experience gains and losses on scheme liabilities:				
Amount £'000	**—**	(814)	—	—
Percentage of scheme liabilities	**—**	4.1%	—	—
Total amount recognised in statement of total recognised gains and losses:				
Amount £'000	**(1,925)**	(1,528)	(1,190)	(3,497)
Percentage of scheme liabilities	**8.0%**	7.8%	6.8%	22.1%

34 PENSION COMMITMENTS (CONTINUED)

	2005 £'000	2004 £'000
Group net assets		
Net assets excluding net pension liability	**31,271**	25,310
SSAP 24 adjustment	**781**	488
Net pension liability - Carr's Milling Industries Pension Scheme	**(8,483)**	(7,658)
Net pension liability - 50% Carrs Billington Agriculture Pension Scheme	**(2,267)**	(1,700)
Net assets including net pension liability	**21,302**	16,440

	2005 £'000	2004 £'000
Group profit and loss reserve		
Net profit and loss reserve excluding net pension liability	**20,952**	15,605
SSAP 24 adjustment	**781**	488
Net pension liability - Carr's Milling Industries Pension Scheme	**(8,483)**	(7,658)
Net pension liability - 50% Carrs Billington Agriculture Pension Scheme	**(2,267)**	(1,700)
Net profit and loss reserve including net pension liability	**10,983**	6,735

35 RELATED PARTY TRANSACTIONS

The Company has an associate undertaking, Carrs Billington Agriculture (Operations) Limited. The principal activity of Carrs Billington Agriculture (Operations) Limited is the manufacture of animal feed.

The Group made sales to Carrs Billington Agriculture (Operations) Limited of £393,000 (2004: £292,000).

The Group made purchases from Carrs Billington Agriculture (Operations) Limited of £39,826,000 (2004: £41,777,000).

At 3 September 2005, debtors included £391,000 (2004: £104,000) due from Carrs Billington Agriculture (Operations) Limited and creditors included £5,787,000 (2004: £5,135,000) due to Carrs Billington Agriculture (Operations) Limited.

Included in investments at 3 September 2005 is a loan of £1,225,000 (2004: £1,225,000) due from Carrs Billington Agriculture (Operations) Limited.

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

The Group made sales of £90,000 to Robert Hutchison Limited prior to its acquisition in the period.

The Group made purchases of £27,000 from Wallace Oils Limited prior to its acquisition in the period.

36 POST BALANCE SHEET EVENTS

In October 2005 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 will market and sell animal feed, fertilisers and other farm requirements in Wales.

Five Year Statement

Sales and results	2001 £'000	2002 £'000	2003 £'000	2004 £'000	2005 £'000
Group Turnover					
Continuing operations	107,499	143,378	148,688	155,749	**158,876**
Acquisitions	5,656	—	—	—	**33,248**
Total Group turnover	113,155	143,378	148,688	155,749	**192,124**
Operating profit					
Continuing operations	2,516	3,755	4,011	5,036	**5,884**
Acquisitions	(69)	—	—	—	**932**
Total Group operating profit	2,447	3,755	4,011	5,036	**6,816**
Share of profit/(loss) of associate	—	434	718	739	**(720)**
Share of profit of joint venture	554	—	—	—	**—**
Profit on part disposal of subsidiary undertaking	—	307	—	—	**—**
Profit on disposal of fixed assets	—	—	—	—	**4,110**
Profit on ordinary activities before interest	3,001	4,496	4,729	5,775	**10,206**
Interest payable and similar charges	(939)	(902)	(663)	(648)	**(1,190)**
Profit before taxation	2,062	3,594	4,066	5,127	**9,016**
Taxation	(376)	(397)	(1,277)	(1,633)	**(1,625)**
Profit after taxation	1,686	3,197	2,789	3,494	**7,391**
Minority interest	(11)	(277)	(329)	(275)	**(276)**
Attributable profit	1,675	2,920	2,460	3,219	**7,115**
Dividends	(640)	(768)	(930)	(1,090)	**(1,313)**
Retained profit	1,035	2,152	1,530	2,129	**5,802**
Net assets employed					
Fixed assets	19,076	21,474	22,625	24,128	**33,340**
Net current assets	3,323	5,673	6,444	6,156	**7,843**
	22,399	27,147	29,069	30,284	**41,183**
Non-current liabilities	(1,343)	(4,470)	(4,265)	(3,779)	**(8,501)**
Provisions for liabilities and charges including deferred tax and pensions	(1,876)	(1,129)	(1,266)	(951)	**(1,226)**
Deferred income	(234)	(179)	(303)	(244)	**(185)**
	18,946	21,369	23,235	25,310	**31,271**
Ratios					
Operating margin (continuing operations)	2.2%	2.6%	2.7%	3.2%	**3.6%**
Return on assets employed (excluding profit/(loss) on disposal of fixed assets)	10.9%	15.3%	18.0%	21.2%	**14.7%**
Earnings per share – basic	20.9p	36.3p	30.5p	39.9p	**87.5p**
– adjusted	23.9p	33.3p	34.7p	39.9p	**47.7p**
Dividends per ordinary share	8.0p	9.5p	11.5p	13.5p	**16.0p**

Notice of Annual General Meeting

Notice is hereby given that the Ninety Seventh Annual General Meeting of Carr's Milling Industries PLC will be held at the Crown Hotel, Wetheral, Carlisle on Monday 9 January, 2006 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 year ended 3 September 2005
2. To approve the Remuneration Committee's Report for the year ended 3 September 2005
3. To declare a final dividend of 11.0p per share on the Ordinary Share Capital
4. To re-elect as a Director C N C Holmes who retires by rotation
5. To re-elect as a Director A G M Wannop 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 £102,670, 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 821,358;

(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 2007, if earlier, on 8 April 2007, 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.

9. Approved Executive Share Option Scheme 2006
THAT the board of directors (the "Directors") be and are hereby authorised to:-

(i) establish the Carr's Milling Industries Approved Executive Share Option Scheme 2006 (the "Approved Scheme"), a copy of the draft rules of which has been produced to the meeting and initialled, for the purposes of identification only, by the Chairman and a summary of the main provisions of which is set out in the appendix to the Chairman's letter to shareholders dated 8 December 2005 (the "Appendix"); and

(ii) do all acts and things necessary or expedient to give effect to the Approved Scheme, including amending the Approved Scheme as may be necessary to ensure that the Approved Scheme is approved by Her Majesty's Revenue & Customs ("HMRC").

10. Unapproved Executive Share Option Scheme 2006
THAT the Directors be and are hereby authorised to:-

(i) establish the Carr's Milling Industries Unapproved Executive Share Option Scheme 2006 (the "Unapproved Scheme"), a copy of the draft rules of which has been produced to the meeting and initialled, for the purposes of identification only, by the Chairman and a summary of the main provisions of which is set out in the Appendix; and

(ii) do all acts and things necessary or expedient to give effect to the Unapproved Scheme.

Notice of Annual General Meeting
continued

11. Sharesave Scheme 2006
THAT the Directors be and are hereby authorised to:-

(i) establish the Carr's Milling Industries Sharesave Scheme 2006 (the "Sharesave Scheme"), a copy of the draft rules of which has been produced to the meeting and initialled, for the purposes of identification only, by the Chairman and a summary of the main provisions of which is set out in the Appendix; and

(ii) do all acts and things necessary or expedient to give effect to the Sharesave Scheme, including amending the Sharesave Scheme as may be necessary to ensure that the Sharesave Scheme is approved by HMRC.

12. Deferred Bonus Scheme 2006
THAT the Directors be and are hereby authorised to:-

(i) establish the Carr's Milling Industries Deferred Bonus Scheme 2006 (the "Deferred Bonus Scheme"), a copy of the draft rules of which has been produced to the meeting and initialled, for the purposes of identification only, by the Chairman and a summary of the main provisions of which is set out in the Appendix; and

(ii) do all acts and things necessary or expedient to give effect to the Deferred Bonus Scheme.

Stanwix
Carlisle CA3 9BA
21 November 2005

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

(b) terms of reference for committees

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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