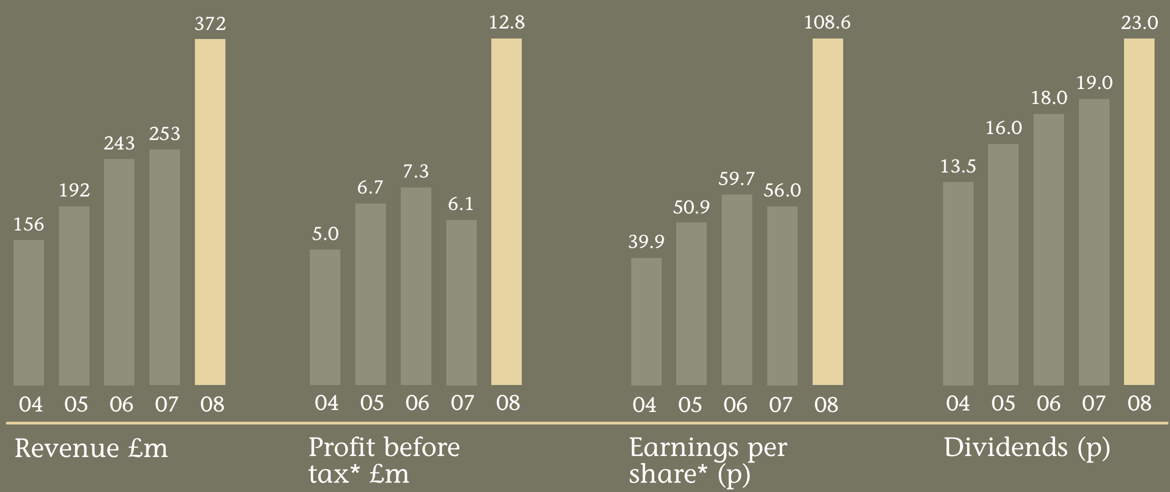
a year of achievement

Carr's Milling Industries PLC

Annual Report & Accounts 2008

financial highlights



Statutory numbers are given in the Chairman's Statement and reconciliations are given in the Notes to the Financial Statements
2004 prepared under UK GAAP and 2005 - 2008 under IFRS

*excludes non-recurring items and amortisation of intangible assets

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CARR'S MILLING 100th ANNIVERSARY

Jonathan Dodgson Carr created Carr & Co in 1831 so we celebrated 175 years of trading as Carr's Flour in 2006.

In June 1908 the Carr family built the mill at Silloth and created a new company which is today Carr's Milling Industries PLC.

Carr's Milling Industries activities are focussed on Agriculture, Food and Engineering.

Revenue up 47% to **£372.3m**

Profit before tax up 133% at **£12.9m**

Basic earnings per share up 83% at **92.7p**

Dividend up 21% to **23.0p** per share

Shareholders' equity down 7% to **£25.0m**

CHAIRMAN'S STATEMENT

The 52 weeks to 30 August 2008 stand out as a tremendously successful year for Carr's, with revenue up by almost 50% and pre-tax profit more than doubling. This performance, driven by our largest Division, Agriculture, reflects our continuing strategy of growing our core businesses in new areas by developing new brands and new markets, as well as the incidence of one-off favourable factors relating to the purchase of commodities at a time of substantially rising prices. We have well invested facilities that efficiently produce the cost-effective products we manufacture and sell.

The year was an extraordinary one for commodity prices. Many of our key raw materials in the UK - feed and milling wheat, soya and rape meal - more than doubled and fertiliser rose three to four fold. These increases reflected increased demand from China and India for agricultural products, combined with low world commodity stocks and growth in bio-fuel production, after many years of static markets.

Less dramatic than the rise in commodity prices was the 40% increase in the farm-gate milk price paid to the Group's dairy farming customers. This increase provided a substantial boost to the Group's business.

Financial Review

Revenue in the 52 weeks to 30 August 2008 increased by 47% to £372.3m (2007: £252.8m). The pre-tax profit was up 133% to £12.9m (2007: £5.5m), and fully diluted earnings per share were 91.2p (2007: 49.9p), up 83%. Net finance costs of £1.6m (2007: £1.0m) were covered 8.0 times (2007: 5.8 times) by Group operating profit of £12.9m (2007: £5.8m), up 123%. Adjusted to subtract non-recurring items and amortisation of intangible assets totalling £0.1m (2007: to add £0.6m), adjusted pre-tax profit was up 111% to £12.8m (2007: £6.1m) and fully-diluted adjusted earnings per share were up 94% at 106.9p (2007: 55.0p).

The Board estimates that in the region of £4.1m of the pre-tax profit was of an exceptional trading nature: £2.9m inventory gain, when the cost of raw materials was rising very fast; £0.7m due to the early buying of fertiliser by farmers for the autumn 2008 and spring 2009 season so as to avoid anticipated price increases; and £0.5m currency appreciation on forward foreign exchange contracts.

Total shareholders' equity decreased by 7% to £25.0m (2007: £26.8m), the profit for the period of £8.3m being off-set by £8.8m of actuarial losses net of tax in the retirement benefit obligation as a consequence of poor investment returns, increased inflation, and strengthened mortality assumptions. Despite substantial increases in revenue and working capital, up £6.9m in the period, net debt increased by only £2m to £17.4m (2007: £15.4m), representing gearing of 70% (2007: 57%).

Subsequent to the year end, in September 2008, £2.5m (net) was raised in a placing of 410,000 new Ordinary Shares (4.9% of the issued share capital) at 660p per share. The object of the placing was to fund, in part, the additional working capital requirement and to widen the institutional shareholder base. Reflecting the placing, pro forma gearing at 30 August 2008 falls to 55%.

Dividends

As announced on 5 September 2008, the Board is proposing a 26% increase in the final dividend per share to 17.0p (2007: 13.5p). If approved by shareholders at the Annual Meeting on 6 January 2009, the dividend will be paid on 16 January 2009 to shareholders on the register at the close of business on 19 December 2008, with the shares going ex-dividend on 17 December 2008.

Together with the interim dividend per share of 6.0p (2007: 5.5p), up 9%, paid on 9 May 2008, the proposed dividends per share for the year total 23.0p (2007: 19.0p), up 21%, covered 4.0 times (2007: 2.7 times) by basic earnings per share and 4.7 times (2007: 2.9 times) by adjusted earnings per share. This would be the seventh successive annual increase in dividends per share and the total proposed for the year is almost three times the 8.0p paid seven years ago, in 2001 – a compound annual increase of 16%.

Outlook

Agriculture is most unlikely to enjoy a repetition of this year's exceptionally favourable commodity prices. It will, however, be boosted by its UK dairy-farming customers benefiting from October's 1p increase in the farm-gate milk price, which was badly needed in the context of increases in input costs. US animal feed will benefit from the continuing success of that business, as well as the translation effect of the strengthening US dollar.

Food will benefit from a better start to the current year and lower milling wheat prices, but has to contend with higher energy costs.

Our Engineering business commences the year with a strong order book, with contracts for the nuclear decommissioning programme and the oil and gas sectors.

Overall, the Group remains well-placed for the current year, albeit without the benefit of exceptional trading conditions in its largest Division, Agriculture.

Richard Inglewood
Chairman
17 November 2008

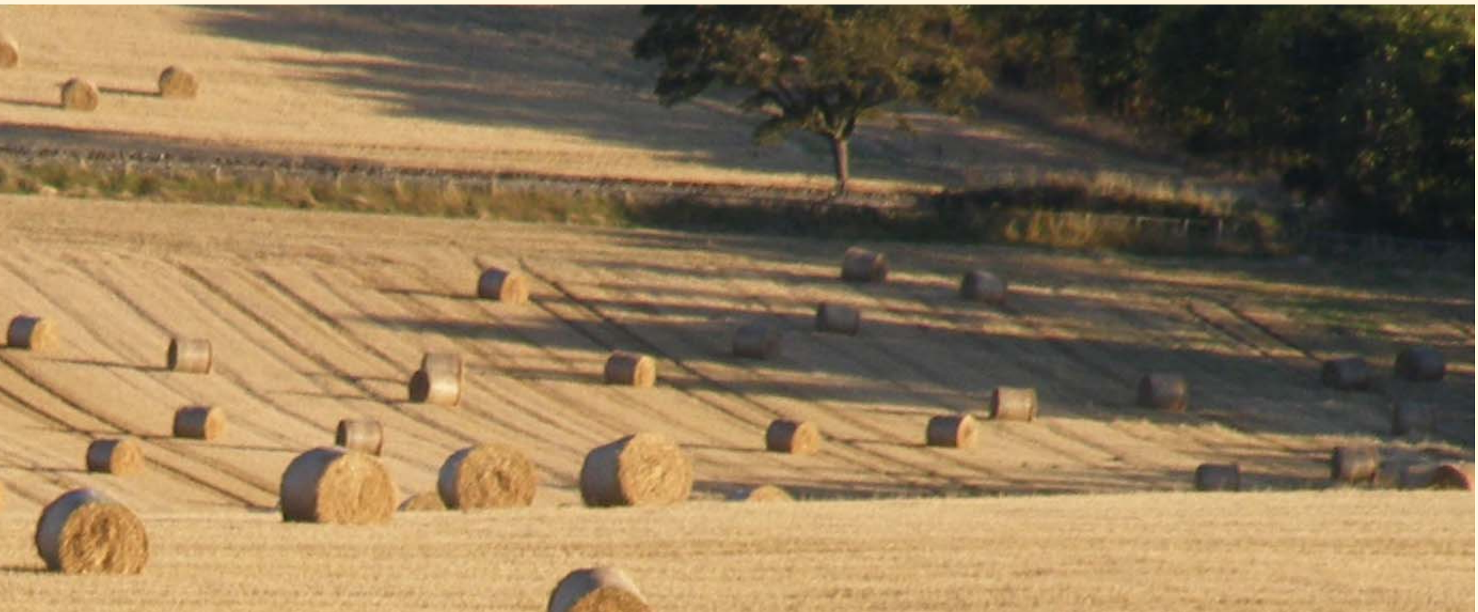
CHIEF EXECUTIVE'S REVIEW

a year of achievement

It was 100 years ago, in June 1908, that the Directors of Carr & Co created for its flour milling activities the company that now trades as Carr's Milling Industries PLC. It is particularly special to celebrate this centenary with a year of outstanding financial results.

In the 52 weeks to 30 August 2008, the average annual farm gate milk price increased by 38.4%, from 18.49p to 25.59p. The average price in the period 1997-2007 had been increasingly unsustainable. The consequence, to the disadvantage of UK plc, was a massive exit from dairying, which is a capital intensive industry in terms of land, buildings and animals, as well as one involving the sustained working of unsocial hours.

With Agriculture again capitalising on its innovative niche products - the benefit of a focus on product development and the creation of intellectual property - and its strong market position in North West England and Scotland, the pre-tax profit for the year was easily a record.



Agriculture operating profit*

£11.7m

Food operating profit*

£2.0m

Engineering operating profit*

£1.1m

* before retirement benefit charge

CHIEF EXECUTIVE'S REVIEW continued

agriculture

Operating profit
(before retirement benefit charge) of

£11.7m

(2007: £5.1m) **up 128%**

Revenue
up 48%

at £275.8m

(2007: £185.9m)

Operating profit (before retirement benefit charge) of £11.7m (2007: £5.1m), a 128% increase, was achieved on revenue up 48% at £275.8m (2007: £185.9m).

United Kingdom

In the year under review, the Agriculture Division saw enormous changes. Whilst raw material prices increased hugely, farm incomes also rose dramatically, due to badly needed increases in grain and farm-gate milk prices.

This time last year, we decided to buy forward many of our key raw materials, as did many of our competitors, so we were able to protect our customers from the full impact of the animal feed price increases over the winter. However, our real focus has been on product quality, new product development and customer service in order to maximise our customers' profits, as we believe this is the key to our long-term success. The investment in the AminoMax plant at Langwathby, to improve farmers' milk yields, has clearly been a success, given the volumes sold.

Growth in market share of compound and blended animal feeds, with increased sales volumes, enabled better utilisation of our seven feed mills – four compound mills (at Carlisle and Langwathby in Cumbria, Lancaster in Lancashire and Stone in Staffordshire), producing pellets, and three blended feed mills (at Askrigg in North Yorkshire, Kirkbride in Cumbria and Lancaster in Lancashire), producing loose mixes. This resulted in increased profits through increased sales volumes and production efficiencies.

Crystalyx low moisture feed blocks, produced at Silloth in Cumbria, increased volumes and revenue. The milk price increase has created a further opportunity for brand development. Optimum, a low moisture feed block, was successfully launched at the National Dairy Event at Stoneleigh in September 2008 and this should enable continuing growth in sales volumes and profits.

Fertiliser had an excellent year as a result of increased sales volumes of both standard and environmentally-protective fertiliser. Raw material price increases throughout the year were massive and selling prices were constantly adjusted, generating a considerable part of the profit, much of it as inventory gain. The year benefited, in the latter months, from the forward buying by our customers of fertiliser for spreading in the autumn of 2008 and the spring of 2009. Carr's three fertiliser blending plants (at Invergordon in Ross-shire, Montrose in Angus, and Silloth in Cumbria) give it a substantial market share in Scotland and the North of England.

Retail and machinery had a very good year, with retail continuing to grow in revenue and profit from its 15 branches (12 in the North of England - of which one was acquired in July 2008 - and three in Scotland). Machinery enjoyed a strong presence in its market through its Massey Ferguson dealership, and revenue in the year was ahead of the previous year and budget.

The enlarged fuel business, including a first full year for Johnstone Fuels, performed well, exceeded budget, and made a useful contribution to Group profit. We now trade as Johnstone Wallace Fuels in South West Scotland and Wallace Oils in Cumbria.

Overseas

In the USA, Animal Feed Supplements, whose plants are located in Belle Fourche, South Dakota and Poteau, Oklahoma, had an excellent year, with record sales of Smartlic and Feed in a Drum low moisture feed blocks. This resulted in record profits, when expressed in US dollars.

In Germany, Crystalyx Products, the joint venture in conjunction with Agravis, again produced record volumes and increased exports to adjacent countries.

CHIEF EXECUTIVE'S REVIEW continued

food

Operating profit (before retirement benefit charge) of £2.0m (2007: £1.1m), up 77%, was achieved on revenue up 50% at £85.6m (2007: £57.0m).

Following an extremely difficult prior year for flour, the increase in operating profit, which was achieved despite a poor start to the year before a price rise took effect, was badly needed. The increase in wheat prices that started in late summer 2007 continued until virtually the end of the financial year. Sales volumes of flour increased during the year, but by a much smaller percentage than revenue. The operating margin increased to 2.3% (2007: 1.9%).

The aim of Carr's three flour mills, at Kirkcaldy (Fife), Silloth (Cumbria) and Maldon (Essex), to provide the highest levels of service and product quality for the bread, biscuit and ingredients market, continues. Homegrown, Continental European and North American wheat are used and there is extensive in-house research and development. The three mills have maintained their regional identity and each mill has a strong local management team. This has aided the development of close working relationships with a wide range of customers across the UK. It also means that central costs are minimised.

Operating profit
(before retirement benefit charge) of

£2.0m

(2007: £1.1m) **up 77%**

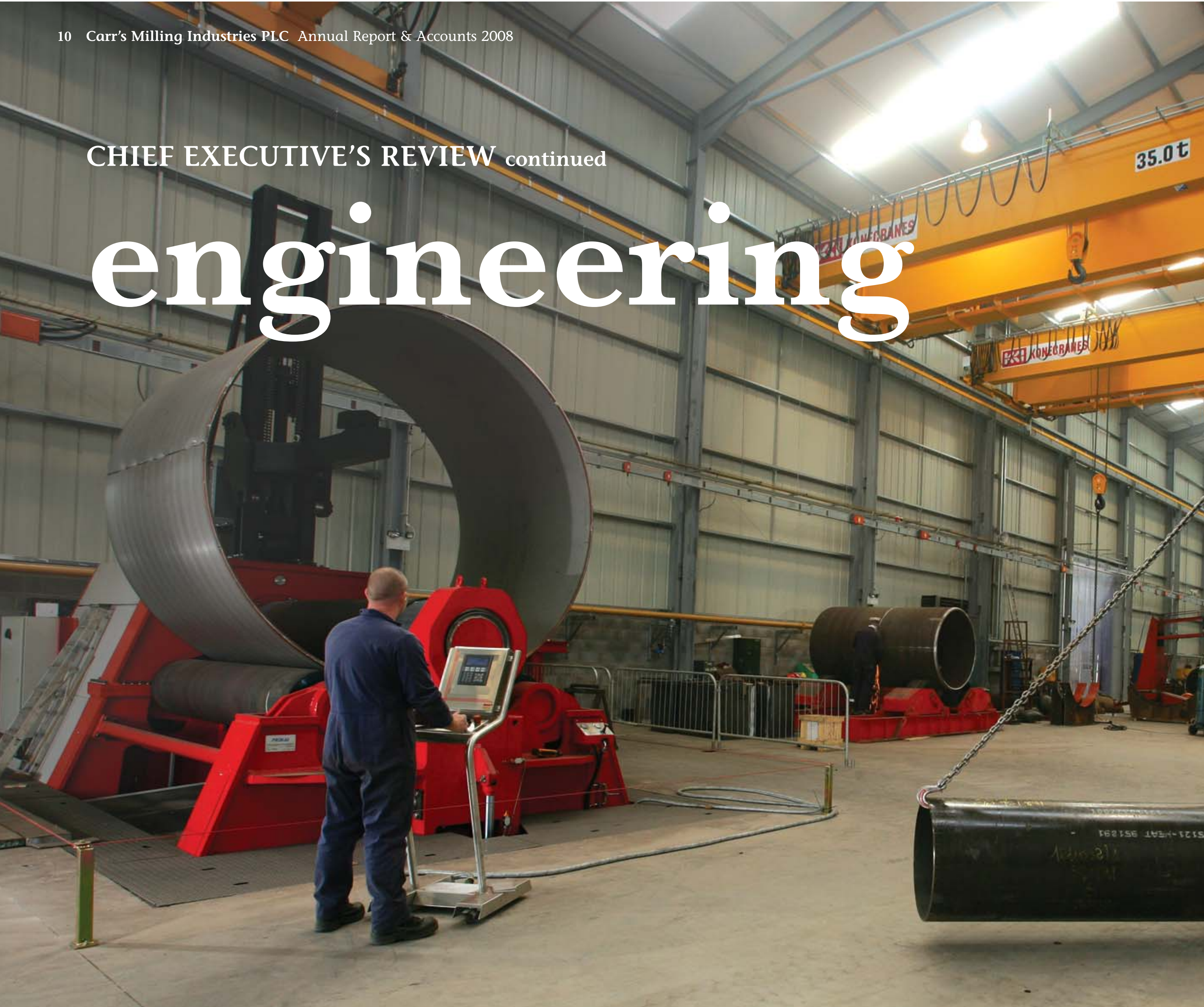
Revenue
up 50%

at £85.6m

(2007: £57.0m)

CHIEF EXECUTIVE'S REVIEW continued

engineering



Operating profit (before retirement benefit charge) increased by 7% to £1.1m (2007: £1.0m) on revenue up 12% at £10.7m (2007: £9.6m).

Bendalls, our specialist steel fabrication business, successfully completed some large contracts for the nuclear, oil and gas industries. Continual delays and design alterations frustrated the work flow on certain contracts. Bendalls enters the financial year with a strong order book across all its market sectors.

Of the smaller businesses, Carr's MSM had a steady and successful year, completing and supplying new design master slave manipulators to British Nuclear Group. R Hind traded satisfactorily in a competitive market for vehicle body building and accident repairs.

Operating profit
(before retirement benefit charge) of

£1.1m

(2007: £1.0m) **up 7%**

Revenue
up 12%

at £10.7m

(2007: £9.6m)

Staff
The year has not been without its challenges, which included massive commodity price rises which affected both our Agriculture and Food Divisions as well as our customers. The Company has continued to progress and my thanks go to all my colleagues in the UK, Europe and the USA for the excellent result for the period.

Prospects
The macro outlook for our UK livestock farming customers - the dairy, beef and sheep farmers - is looking favourable. Following their huge increases last year, cereal prices have reduced significantly to a level that is looking unsustainably low for UK arable farmers given the higher fertiliser input costs. Overseas, Carr's Agriculture business continues to prosper and grow.

The flour milling business is operating in a competitive industry and the restoration of acceptable margins is a priority. The poor quality of the milling wheat from the 2008 harvest in the north of the UK is increasing the cost base of our two northern mills.

The Engineering Division is trading in an environment that should not be materially affected by the current economic situation, having regard to its focus on the nuclear decommissioning and oil and gas industries.

Carr's has a track record of success, even in times of difficult market conditions for its three Divisions. The current year has started well. Carr's remains well placed for further underlying progress.

Chris Holmes

Chris Holmes
Chief Executive Officer
17 November 2008

OPERATING AND FINANCIAL REVIEW

The Group's operations are organised into three business divisions, agriculture, food and engineering, and the performance of these three divisions in the period is discussed in the Chief Executive's Review on pages 4 to 11. The agriculture business operates predominately in the North of England, Wales and Scotland, in addition there are two animal feed plants in the US and a plant in Germany. The flour and the engineering business operate entirely within the UK although a proportion of sales from the engineering business are export.

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

Business objectives

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

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

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

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

Performance against KPIs	**2008**	2007
Organic revenue growth	**44.9%**	-1.1%
Gross return on revenue	**12.0%**	13.5%
Net return on revenue	**3.4%**	2.5%
Adjusted earnings per share	**108.6p**	56.0p
Return on net assets	**46.4%**	21.0%
Free cash flow	**£3.0m**	£3.8m

Business strategies

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

FINANCIAL REVIEW

Overview

Group revenue from activities during the period was £372.3 million (2007: £252.8 million).

Profit before taxation increased to £12.9 million (2007: £5.5 million). Profit before taxation and before non-recurring items and amortisation of intangible assets increased to £12.8 million (2007: £6.1 million). Non-recurring items and amortisation are disclosed in note 6 to the financial statements.

The entire share capital of J M Raine Limited was acquired on 7 July 2008 and the results from that date to 30 August 2008 are included in the Group's results.

Net finance costs were £1.6 million (2007: £1.0 million) and were covered 8.0 times (2007: 6.2 times) by adjusted operating profit.

Taxation

The Group's effective tax charge on profit from activities after net finance costs was 35.8% (2007: 22.2%). A reconciliation of the actual total tax charge to the average standard rate of corporation tax in the UK of 29.17% (2007: 30%) is set out in note 9 to the financial statements. Corporation tax in the UK was reduced to 28% from 1 April 2008. This reduction in the tax rate is reflected in the corporation tax charge for the period. However, offsetting this during the period the proposal that Parliament abolish Industrial Building Allowances was substantively enacted. The effect of this has been to increase the tax charge for the period by £1,317,000.

Earnings per share

The profit attributable to the equity holders of the Company amounted to £7.7 million (2007: £4.2 million), and basic earnings per share was 92.7p (2007: 50.7p). Adjusted earnings per share of 108.6p (2007: 56.0p) is calculated by dividing the profit attributed to equity shareholders for the period, before non-recurring items and amortisation of intangible assets, by the weighted average number of shares in issue during the period.

Balance sheet review

We have continued to invest in the business with total capital expenditure in the period of £3.1 million, making our total capital expenditure in the last three years £9.8 million. In the current period we have continued to invest in production facilities with £1.0 million spent on our flour mills and a further £2.1 million spent on other businesses.

The value of inventories has risen in the current period by £16.2 million (108.8%) reflecting the substantial increase in the cost of raw materials purchased, particularly within the fertiliser business, rather than any significant increase in the quantity of inventory held.

Trade and other receivables have increased by £15.3 million, principally due to the increase in trade receivables of £14.3 million arising from increased selling prices with debtor days remaining similar to last period across all businesses.

Trade and other payables have increased by £24.5 million, reflecting a significant increase in trade creditors of £16.4 million which is primarily due to the increased cost of raw materials. The retirement benefit obligation adverse movement of £6.8 million in the period is discussed in the section headed Pensions.

Overall net assets decreased by £1.3 million to £27.6 million (2007: increase £6.6 million).

OPERATING AND FINANCIAL REVIEW continued

Cash flow and net debt

The Group's operational cash generation decreased in the period with cash flows generated from operations in the current year of £5.2 million (2007: £6.9 million). This decrease has arisen from the higher working capital requirements as previously discussed. Net cash generated from financing activities in the period was £0.1m (2007: net cash used £2.5 million) and includes a new term loan of £1.5 million.

The dramatic rise in revenue reflected the sales price rises in both Agriculture and Food Divisions arising from the increased raw material prices. As a consequence the value of our working capital rose and also the Group's debt.

Net debt at the period end was £17.4 million (2007: £15.4 million) with gearing at 69.8% (2007: 57.4%). Net debt is expected to decrease over the next couple of years excluding any acquisition funding.

Pensions

The Group operates its current pension arrangements on a defined benefit and defined contribution basis. The defined benefit section is closed to new members and has 100 active members, 107 deferred members and 168 current pensioners. The scheme receives additional contributions from the Group in accordance with the latest actuarial valuation as agreed between the Company and the Trustees.

The valuation under the IAS19 accounting basis showed a deficit (before the related deferred tax asset) in the scheme at 30 August 2008 of £16.6 million (1 September 2007: £9.8 million).

In the period, the Company and the Trustees of the Carr's Milling Industries Pension Scheme 1993 ("Scheme") offered enhanced transfer values to deferred members, with more than five years to normal retirement age. The cost to the Company was £946,000 and the actuarial provisions held by the Company were reduced by £1,325,000. The net gain of £379,000 (2007: £nil) has been credited to the income statement.

Actuarial losses of £11.1 million (2007: gain £4.6 million) have been reported in the Statement of Recognised Income and Expense. The actuarial losses arise from the reduction in the fair value of Scheme assets due to poor investment returns, in particular the return on UK equities, and changes to assumptions used to determine the defined benefit obligation. The expected inflation rate has been increased and more robust mortality assumptions have been adopted, which together had the adverse impact of increasing liabilities by over £9.0 million.

A Group subsidiary undertaking is a participating employer in a defined benefit pension scheme for which the sponsoring company is an associated company. During the period the Group's associate closed its defined benefit pension scheme to future service accrual. The IAS19 accounting basis showed a deficit at 30 August 2008, for that scheme, of £2.6 million (2007: £1.7 million). The details for both pension schemes are given in note 28 to the financial statements.

Treasury Policy

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

The main elements of treasury activity are outlined below.

Foreign currency risk

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

The result of the Group's foreign subsidiary is translated into sterling at the average rates of exchange for the period concerned.

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

Interest rate risk
Historically the policy of the Group has been to hedge around 40% to 60% of the core borrowings. The Group has two interest rate swaps totalling £5.75 million to protect against significant increases in interest rates. The board will continue to review the appropriateness of our interest rate policy and our hedging policy during the next financial year.

Credit risk
Practically all sales are made on credit terms to an extensive range of customers which include UK food producers, agricultural merchants, farmers and the nuclear industry. Overdue accounts are reviewed monthly at divisional management meetings. Historically, the incidence of bad debts is low. The current financial climate requires the Group's credit control function to be exceptionally vigilant.

Funding
The Group has historically been cash generative. The bank position for each operation is monitored on a daily basis and capital expenditure above a certain level is approved at the monthly Group board meeting. Each operation has access to the Group's overdraft facility or has facilities specific to that operation and all term debt is arranged centrally. The current bank facilities available to the Group are term loans of £1.9 million, a revolving credit facility of £4.5 million and overdraft facilities of £12.0 million. Unutilised facilities at 30 August 2008 were £15.7 million (2007: £11.7 million).

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

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

Manufacturing facilities
The Group has continued to invest in its production facilities in all three businesses and it intends to continue investing to ensure that it maintains a competitive edge.

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

Principal risks and uncertainties
Each year the Group carries out a formal exercise to identify and assess the impact of risks on its business and this year the exercise was carried out in August 2008. The more significant risks and uncertainties faced by the Group were identified as customer retention, employee retention, margins, profitability and competition. The corporate governance statement describes more about the Group's risk management process.

On behalf of the Board
Ronald C Wood
Finance Director
17 November 2008

BOARD OF DIRECTORS

Right:
Lord Inglewood - Non-Executive Chairman

Centre, left to right:
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
DLA Piper UK
India Buildings
Water Street
Liverpool L2 0NH

Halliwells
The Plaza
100 Old Hall Street
Liverpool L3 9TD

Atkinson Ritson
15 Fisher Street
Carlisle CA3 8RW

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

DIRECTORS' REPORT

The Directors submit their report and the audited accounts of the Company for the period ended 30 August 2008.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The Group's activities are Agriculture, Food and Engineering. A review of the business and future development of the Group and a discussion of the principal risks and uncertainties faced by the Group is presented in the Chief Executive's Review on pages 4 to 11 and in the Operating and Financial Review on pages 12 to 15.

RESULTS AND DIVIDENDS

The profit on ordinary activities before taxation, was £12.9 million (2007: £5.5 million). After the taxation charge of £4.6 million (2007: £1.2 million), the profit for the period is £8.3 million (2007: £4.3 million). An interim dividend of 6.0p per ordinary share was paid on 9 May 2008. The Directors recommend the payment of a final dividend for the period, which is not reflected in these accounts, of 17.0p per ordinary share which, together with the interim dividend, represents 23.0p per ordinary share, totalling £2.0 million (2007: 19.0p per ordinary share, totalling £1.6 million).

Subject to approval at the Annual General Meeting, the final dividend will be paid on 16 January 2009 to members on the register at the close of business on 19 December 2008. Shares will be ex-dividend on 17 December 2008.

FINANCIAL INSTRUMENTS

The Group's risk management objectives and policy are discussed in the Treasury Policy section of the Operating and Financial Review on page 14.

PENSIONS

Estimates of the amount and timing of future funding obligations for the Group's pension plans are based on various assumptions including, among other things, the actual and projected market performance of the pension plan assets, future long-term corporate bond yields, increased longevity of members and statutory requirements. In the last period, the relative worsening in equity markets, higher inflation and strengthened mortality tables has increased the deficit. The Group continually reviews this risk and takes action to mitigate where possible. In addition, while the Group is consulted by the trustees on the investment strategies of its pension plans, the Group has no direct control over these matters as the trustees are directly responsible for the strategy.

Details of the Group's pension plans are in note 28 in the Notes to the Financial Statements.

DIRECTORS AND THEIR INTERESTS

The Directors of the Company currently in office are as stated on page 16. Each of the current Directors served for the whole of the period under review. C N C Holmes and A R Heygate retire in accordance with the Articles of Association and, being eligible, each offers himself for re-election.

Biographical details of the directors are shown below:

Non-executive directors

Lord Inglewood (57) 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 in Carr's north-west England heartland. He is also Chairman of CN Group Limited, the Carlisle based regional media company.

Mr A R Heygate (63) 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 (46) 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 Wannop have two year fixed term contracts which expire on 31 August 2009.

Executive directors

Mr C N C Holmes (57) 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 (61) 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. He is also a non-executive director of Cumbria Partnership NHS Trust. All fees receivable are paid to the Company.

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

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

DIRECTORS' REPORT continued

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

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

POLITICAL AND CHARITABLE DONATIONS
During the period ended 30 August 2008 the Group contributed £11,569 (2007: £11,219) in the UK for charitable purposes. There were no political donations during the year (2007: Nil).

PAYMENT OF SUPPLIERS
Payment terms are agreed with each supplier and every endeavour is made to adhere to the agreed terms. The average credit terms for the Group as a whole, based on the year-end trade payables figure and a 365 day year, is 45 days (2007: 44 days). The Company has no outstanding trade payables at the end of the financial period.

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

On 10 September 2008, £2.5 million (net) was raised in a placing of 410,000 new Ordinary Shares.

The interests of the Directors, as defined by the Companies Act 1985, in the ordinary shares of the Company, other than in respect of options to acquire ordinary shares (which are detailed in the analysis of options included in the Directors' Remuneration Report on pages 23 to 26), are as follows:

	on 30 August 2008 Ordinary Shares	on 1 September 2007 Ordinary Shares
C N C Holmes	**106,415**	53,284
R C Wood	**92,077**	29,140
A R Heygate	**37,225**	37,225
W R Inglewood	**4,410**	4,410
A G M Wannop	**2,261**	2,261

All the above interests are beneficial. There have been no other changes to the above interests in the period from 30 August 2008 to 10 November 2008.

MAJOR SHAREHOLDERS
The Company has been informed of the following interests at 10 November 2008 in the 8,784,286 ordinary shares of the Company, as required by the Companies Act 1985:

	Number of shares	Percentage of Issued share capital
Heygate & Sons Limited	1,265,287	14.4%
T W G Charlton	575,000	6.5%
Rathbone Nominees Limited	523,800	6.0%
Goldman Sachs Securities (Nominees) Limited	413,060	4.7%
HSBC Global Custody Nominee (UK) Limited	350,000	4.0%
Barclayshare Nominees Limited	263,453	3.0%

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

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 16. Having made enquiries of fellow Directors each of these Directors, at the date of this report, confirms that:

- to the best of each Director's knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware; and

- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

ANNUAL GENERAL MEETING AND SPECIAL BUSINESS TO BE TRANSACTED AT THE ANNUAL GENERAL MEETING
The Notice convening the Annual General Meeting and a letter from the Chairman together with explanatory notes on the Resolutions to be considered at the Annual General Meeting accompanies the Report and Accounts.

DIRECTORS' RESPONSIBILITIES
The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

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

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

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

The Directors are responsible for the maintenance and integrity of the Carr's Milling Industries PLC website and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By Order of the Board

Ronald C Wood
Secretary
17 November 2008

CORPORATE GOVERNANCE

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE PROVISIONS OF THE COMBINED CODE 2006

PRINCIPLES OF GOOD GOVERNANCE

The Board is committed to high standards of corporate governance. The adoption and maintenance of good governance is the responsibility of the Board as a whole. This report, together with the Directors' Remuneration Report on pages 23 to 26, describes how the Board applies the principles of good governance and best practice as set out in the Combined Code on Corporate Governance 2006 (the "Combined Code 2006"). A statement of compliance can be found at the end of this report.

THE BOARD

The Board consists of a non-executive Chairman, two executive Directors and two other non-executives. Lord Inglewood is considered independent and his independence was assessed when he was appointed as non-executive chairman. A R Heygate is a non-executive director and the Board considers him to be independent although the Combined Code 2006 would not deem him independent due to his long association with the Company and he represents a significant shareholder. The Board believes that he acts in the best interests of the Company and that his holding of shares in the Company aligns his interests with that of the shareholders. A G M Wannop is the senior independent non-executive director. The Combined Code 2006 recommends that the Board of Directors of a UK public company should include a balance of executive and non-executive Directors (including independent non-executives) such that no individual or small group of individuals can dominate the Board's decision-making. The Board is confident that it meets the requirements of the Combined Code 2006 with the exception of A R Heygate as outlined above.

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

The Company's Articles of Association provide that one third of the Directors retire by rotation each year at the Annual General Meeting which is in compliance with the Combined Code 2006. All new Directors are subject to election by shareholders at the first opportunity following their appointment.

Directors' biographies are shown on page 17. The formal terms of reference for the main Board Committees together with the terms and conditions of appointment of non-executive Directors are reviewed annually and are available for inspection at the Company's Registered Office and at the Annual General Meeting.

BOARD COMMITTEES

Audit Committee

The Audit Committee currently comprises the three non-executives, W R Inglewood, A R Heygate and A G M Wannop. The Committee is chaired by A R Heygate. The Board considers that the Company meets the main requirements of the Combined Code 2006 for a Company of Carr's size.

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

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

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

MEETINGS ATTENDANCE

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

	Board	Audit Committee	Remuneration Committee
No. of meetings	**9**	**2**	**4**
W R Inglewood	9	2	4
C N C Holmes	9		
R C Wood	9		
A R Heygate	8	2	4
A G M Wannop	9	2	4

Remuneration Committee

The Remuneration Committee currently comprises A G M Wannop (Chairman), W R Inglewood and A R Heygate. A G M Wannop was appointed Chairman on 6 December 2007 and the Group is now in compliance with the Combined Code 2006 in this respect. It is a requirement of the Combined Code 2006 that the Remuneration Committee should, in the case of smaller companies, consist of at least two members who are considered by the Combined Code 2006 to be independent. The Company has complied with this. The Board is confident that the Company complies with the requirements of the Combined Code 2006 in terms of the required number of independent Directors for a Company of Carr's size. C N C Holmes, Chief Executive, attends meetings of the Remuneration Committee by invitation and in an advisory capacity. No Director attends any part of a meeting at which his own remuneration is discussed. The Chairman and the executive Directors determine the remuneration of the other non-executive Directors.

The Committee recommends to the Board the policy for executive remuneration and determines, on behalf of the Board, the other terms and conditions of service for each executive Director. It determines appropriate performance conditions for the annual cash bonus and deferred bonus scheme and approves awards and the issue of options in accordance with the terms of those schemes. The executive directors' contract periods are one year. The Remuneration Committee also monitors the level and structure of remuneration of senior management below that of main board Director. The Remuneration Committee has access to advice from the Company Secretary and to detailed analysis of executive remuneration in comparable companies. Details of the Committee's current remuneration policies are given in the Directors' Remuneration Report on pages 23 to 26.

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

RELATIONS WITH SHAREHOLDERS

The Board recognises the importance of good communications with all shareholders. The Group 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 Group aims to send notices of Annual General Meetings to shareholders at least 20 working days before the meeting, as required by the Combined Code 2006, and it is the Company's practice to indicate the proxy voting results on all resolutions at the meetings.

GOING CONCERN

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

INTERNAL CONTROL

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

The Board of Directors is not aware of any significant losses caused by breaches of internal control in the period.

CORPORATE GOVERNANCE continued

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

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

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

AUDITOR INDEPENDENCE

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

COMPLIANCE WITH THE REVISED COMBINED CODE

The Directors consider that the Company has, during the period ended 30 August 2008, complied with the requirements of the revised Combined Code 2006 other than as set out below.

- The non-executive director, A R Heygate, is not deemed to be independent under the requirements of the Combined Code 2006 although the Board considers him to be independent (Sch.3.1)
- during the period the executive directors' contract periods were reduced from two years to one year (B.1.6)
- there are no specific provisions for compensation on early termination (B.1.5)
- the Board did not have in place during the period a formal and rigorous process of evaluation of its own performance and that of its committees (A.6.1). Rigorous but informal evaluation has historically been carried out by the Chairman and Chief Executive, an evaluation of the performance of the individual directors has also been carried out by the Remuneration Committee
- there is no separate Nominations Committee (A.4.1) to assess and recommend new directors. Instead the Board as a whole considers these areas following initial scrutiny and recommendations by the Chief Executive and Chairman.
- the Remuneration Committee appointed a non-executive director to chair this committee from 6 December 2007 and now complies with the Combined Code 2006 (B.2.1).

By order of the Board

Ronald C Wood
Secretary
Carlisle
CA3 9BA
17 November 2008

DIRECTORS' REMUNERATION REPORT

INFORMATION NOT SUBJECT TO AUDIT.

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 A G M Wannop (Chairman), A R Heygate and Lord Inglewood. As appropriate, the Committee may invite the Chief Executive Officer to participate in some of its discussions. The Committee is responsible for determining the terms and conditions of employment of executive directors. It is also responsible for considering management recommendations for remuneration and employment terms of the Company's senior staff, including incentive arrangements for bonus payments and grant of share options.

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

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

DETAILS OF REMUNERATION

The remuneration of directors is set out in detail on page 24. 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 one-year rolling contract. The most recent executed contracts for the executive directors were dated 10 June 2002 and as amended on 17 November 2006 and 19 June 2008. In the event of termination C N C Holmes would be entitled to loss of salary, benefits and pensionable service for the notice periods. As R C Wood receives a pension from the Carr's Milling Industries Pension Scheme 1993 he would be entitled to loss of salary and benefits in the event of termination of employment. 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 2007.

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 2008, with increases taking effect from 1 September 2008. The next review will take place in August 2009. 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 60% of Basic Salary on achievement of profit targets and is not pensionable. Previously the payment of annual bonus was pensionable but the Committee amended this policy following a review of the executive directors' pension arrangements and now conform to best practice as set out in the Combined Code 2006.

Benefits in Kind comprise private healthcare which is not pensionable, critical illness and 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.

Although the Group's defined benefit pension fund only pays benefits up to the earnings cap, the Group has always agreed with C N C Holmes that his pension entitlement would be based on his final salary and not on the lower capped amount. The financial statements of the Group have included accruals for the additional amount payable over and above the cap which was not funded directly through the fund. In order to simplify this situation, it was agreed that a payment would be made to C N C Holmes which was equivalent to the value of the benefit earned over and above the earnings cap to date. In January 2008, the Remuneration Committee reviewed an independent report on these arrangements, following which a one off payment of £1,531,700 was made to C N C Holmes, representing the value of such benefits following which his pension benefit will be subject to the earnings cap at the date of retirement. In addition, the company is required to pay C N C Holmes an additional sum representing 93% of his gross basic salary to normal retirement age at 5 September 2011, or earlier retirement from the company. The effective date of the one off payment and of C N C Holmes' pension being restricted to the earnings cap was 5 December 2007.

C N C Holmes' pension information is given in the section subject to audit.

In April 2008, R C Wood on attaining the age of 60 in November 2007 opted to receive a pension from the pension scheme.

Non-executive directors do not participate in the pension scheme.

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

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

DIRECTORS' REMUNERATION REPORT continued

DEFERRED BONUS SCHEME

In February 2006, the Group established an HMRC Approved Deferred Bonus Scheme. During the period ended 30 August 2008, the two executive directors deferred 50% of the bonus earned in the period ended 1 September 2007. Shares in the Company were acquired with the deferred bonus and are held by the Company, as custodian, for three years. The Company will release custody of the Bonus Award Shares on 30 November 2010, being the end of the performance period imposed in relation to the Director's associated matching share award.

Subject to certain performance conditions, as set out on page 26, being met in the three years, the Company will match the bonus award shares by awarding one matching share for each bonus award share.

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. The non-executive directors do not participate in share option awards, bonus plans or pension arrangements.

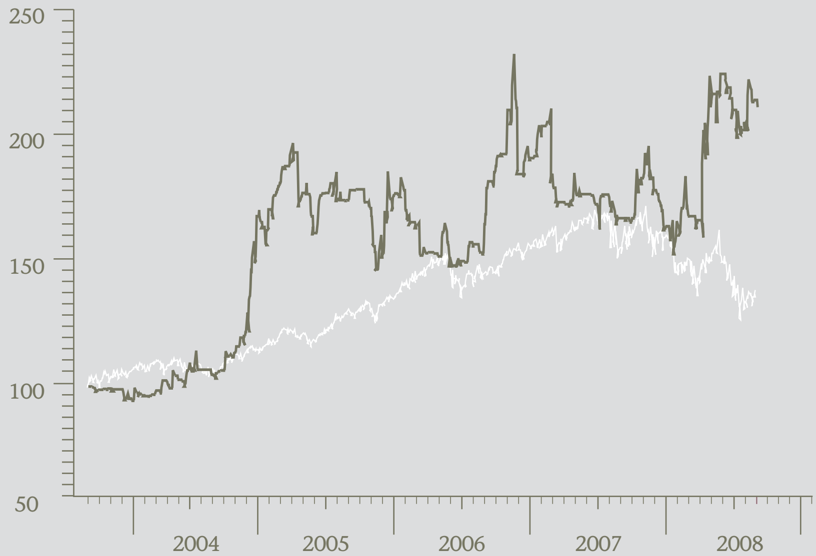
PERFORMANCE GRAPH

The following graph illustrates the Company's total shareholder return performance since 31 August 2003 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: Thomson Datastream



INFORMATION SUBJECT TO AUDIT
DIRECTORS' REMUNERATION

	Fees & Basic Salary £'000	Annual Bonus £'000	Benefits £'000	**Total Emoluments 2008 £'000**	Total Emoluments 2007 £'000	**2008 Pension Contributions £'000**	2007 Pension Contributions £'000	**2008 Gain on Exercise of Share Options £'000**	2007 Gain on Exercise of Share Options £'000
Executive directors									
C N C Holmes	346	122	1	**469**	237	**24**	34	**168**	32
R C Wood	179	107	1	**287**	206	**6**	26	**203**	29
Non-executive directors									
W R Inglewood	45	—	—	**45**	45	—	—	—	—
A R Heygate	25	—	—	**25**	20	—	—	—	—
A G M Wannop	25	—	—	**25**	20	—	—	—	—
	620	229	2	**851**	528	**30**	60	**371**	61

In the period C N C Holmes received £1,531,700 in respect of his pension entitlement in excess of the earnings cap and this is explained on page 23.

EXECUTIVE DIRECTORS' PENSION INFORMATION

	C N C Holmes	R C Wood
Age at 30 August 2008	56	60
	£'000	£'000
Directors' contributions during the period	12	3
(Decrease)/increase in accrued pension entitlement for the period		
At 30 August 2008		
excluding inflation	(81)	n/a
including inflation	(86)	n/a
At 17 November 2007		
excluding inflation	n/a	4
including inflation	n/a	(2)
Total accrued pension entitlement		
At 30 August 2008	75	n/a
At 5 December 2007	156	n/a
At 17 November 2007	n/a	150
At 1 September 2007	148	146
Transfer value of pension		
At 30 August 2008	1,325	n/a
At 5 December 2007	2,628	n/a
At 17 November 2007	n/a	3,168
At 1 September 2007	2,489	2,844
(Decrease)/increase in transfer value less contributions made by directors		
At 30 August 2008	(1,176)	n/a
At 17 November 2007	n/a	321
Transfer value of the (decrease)/increase in accrued benefits less contributions made by directors		
At 30 August 2008	(1,524)	n/a
At 17 November 2007	n/a	37

The accrued pension entitlement and transfer value of pension at 30 August 2008 for C N C Holmes have been determined using the maximum of the earnings cap applicable for 2007/08. This differs from the calculation at 1 September 2007 when the accrued pension entitlement and transfer value of pension was determined on pensionable salary without any restriction. The effective date of C N C Holmes' pension being restricted to the earnings cap was 5 December 2007.

From 18 November 2007, R C Wood was a postponed member of the scheme and from 17 April 2008 is in receipt of a pension from the scheme.

The accrued pension entitlement is the amount that the director would receive if he retired at the end of the period.

The decrease in the accrued entitlement is the difference between the accrued benefit at the period end and that at the previous period end.

All transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. The transfer values of the accrued entitlement represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of the director's pension benefits. They do not represent sums payable to the director and, therefore cannot be added meaningfully to annual remuneration.

DIRECTORS' SHARE OPTIONS

The Company operates an HMRC 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 30 August 2008 are:

	At 1 September 2007	Exercised during period	Granted during period	**At 30 August 2008**	Exercise price	Date of Grant	Earliest date from which exercisable	Expiry date
C N C Holmes	32,500	(32,500)	—	**—**	161.0p	1 May 2002	May 2005	April 2009
	18,500	(18,500)	—	**—**	161.0p	1 May 2002	May 2005	April 2012
	6,000	—	—	**6,000**	502.3p	20 Feb 2006	Feb 2009	Feb 2016
	57,000	(51,000)	—	**6,000**				
R C Wood	43,177	(43,177)	—	**—**	161.0p	1 May 2002	May 2005	April 2009
	18,500	(18,500)	—	**—**	161.0p	1 May 2002	May 2005	April 2012
	6,000	—	—	**6,000**	502.3p	20 Feb 2006	Feb 2009	Feb 2016
	67,677	(61,677)	—	**6,000**				

DIRECTORS' REMUNERATION REPORT continued

The following directors exercised executive share options during the period:

	Number	Date exercised	Exercise price p	Market price p	Notional gain £'000
C N C Holmes	51,000	7 April 2008	161	490	168
R C Wood	61,677	7 April 2008	161	490	203

The middle market closing price of the shares at 29 August 2008 was 662.5p (1 September 2007: 522.5p) and the range throughout the period was 702.5p to 477.5p.

DEFERRED BONUS SCHEME

The Group operates an approved HMRC deferred bonus scheme to reward employees' performance and to incentivise at senior levels. The two executive directors elected to defer 50% of the bonus paid in November 2007 in the form of a Bonus Share Award. The Remuneration Committee granted a Matching Share Award and on meeting in full the performance conditions, the two directors will receive matching shares. The matching shares equal the gross amount of deferred bonus divided by the average price per share at date of deferral.

To qualify for the Maximum Award Multiple of 1 the growth in the Company's adjusted earnings per share over the 3 years ending 31 August 2010 must equal or exceed the growth in the Retail Price Index ("RPI") over the 3 years by an average of 4% per annum. The Award Multiple will be reduced to 0.5 should the growth in adjusted earnings per share over the 3 years equal the growth in RPI by an average of 2% per annum. Should the Company's adjusted earnings per share fall between the two threshold levels, referred to above, the Award Multiple will be measured on a straight line basis between 0.5 and 1.

	No. of Bonus award shares	Base no. of shares	Maximum award multiple	Maximum no. of matching shares	Exercise date
C N C Holmes	4,647	7,877	1	7,877	30 November 2009
	2,131	3,612	1	3,612	30 November 2010
R C Wood	4,050	6,866	1	6,866	30 November 2009
	1,860	3,153	1	3,153	30 November 2010

SAVINGS RELATED SHARE OPTION SCHEME

	At 1 September 2007 Number	**At 30 August 2008 Number**	Average exercise price p	Exercise date
C N C Holmes	1,951	**1,951**	479	May 2009
R C Wood	1,951	**1,951**	479	May 2009

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

On behalf of the Board

A. G. M. Wannop

A G M Wannop

Chairman of the Remuneration Committee

17 November 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CARR'S MILLING INDUSTRIES PLC

We have audited the group and parent company financial statements (the "financial statements") of Carr's Milling Industries PLC for the period ended 30 August 2008 which comprise the consolidated income statement, the consolidated and company statement of recognised income and expense, the consolidated and company balance sheet, the consolidated and company cash flow statement, principal accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the directors' remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. The information given in the directors' report includes that specific information presented in the Chief Executive's Review and in the operating and financial review that is cross referred from the business review section of the directors' report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the Combined Code 2006 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 August 2008 and of its profit and cash flows for the period then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 August 2008 and of its cash flows for the period then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
17 November 2008

CONSOLIDATED INCOME STATEMENT
for the period ended 30 August 2008

Notes		**52 week period 2008 £'000**	52 week period 2007 £'000
2,3	**Revenue**	**372,307**	252,753
3	Cost of sales	**(327,757)**	(218,603)
3	**Gross profit**	**44,550**	34,150
3	Net operating expenses	**(31,675)**	(28,365)
3,4	Group operating profit	**12,875**	5,785
	Analysed as:		
	Operating profit before non-recurring items and amortisation	**12,814**	6,192
6	Non-recurring items and amortisation	**61**	(407)
	Group operating profit	**12,875**	5,785
8	Interest income	**454**	392
8	Other finance income	**—**	95
8	Interest expense	**(2,026)**	(1,484)
8	Other finance expense	**(35)**	—
5	Share of post-tax profit in associate and joint ventures	**1,590**	738
2	**Profit before taxation**	**12,858**	5,526
2,9	Taxation	**(4,605)**	(1,225)
	Profit for the period	**8,253**	4,301
	Profit attributable to minority interest	**552**	120
	Profit attributable to equity shareholders	**7,701**	4,181
		8,253	4,301
	Earnings per share (pence)		
11	Basic	**92.7**	50.7
11	Diluted	**91.2**	49.9

All of the above are derived from continuing operations.

CONSOLIDATED AND COMPANY STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the period ended 30 August 2008

Notes		Group		Company	
		52 week period 2008 £'000	52 week period 2007 £'000	**52 week period 2008 £'000**	52 week period 2007 £'000
	Foreign exchange translation differences arising on				
30	translation of overseas subsidiaries	**583**	(253)	**—**	—
	Actuarial (losses)/gains on retirement benefit obligation:				
28	- Group	**(11,065)**	4,570	**(11,065)**	4,570
28	- Share of associate	**(1,193)**	1,437	**—**	—
	Taxation credit/(charge) on actuarial movement on retirement benefit obligation:				
19	- Group	**3,116**	(1,595)	**3,116**	(1,595)
	- Share of associate	**334**	(459)	**—**	—
	Net (expense)/income recognised directly in equity	**(8,225)**	3,700	**(7,949)**	2,975
	Profit for the period	**8,253**	4,301	**3,216**	4,742
30	**Total recognised income and expense for the period**	**28**	8,001	**(4,733)**	7,717
30	Attributable to minority interest	**545**	120	**—**	—
30	Attributable to equity shareholders	**(517)**	7,881	**(4,733)**	7,717
		28	8,001	**(4,733)**	7,717

CONSOLIDATED AND COMPANY BALANCE SHEET
As at 30 August 2008

Notes		Group 52 week period 2008 £'000	Group 52 week period 2007 £'000	Company 52 week period 2008 £'000	Company 52 week period 2007 £'000
	Assets				
	Non-current assets				
12	Goodwill	**1,381**	1,016	**—**	—
12	Other intangible assets	**294**	444	**—**	—
13	Property, plant and equipment	**28,596**	28,481	**—**	—
14	Investment property	**737**	756	**—**	—
15,18	Investment in subsidiary undertakings	**—**	—	**13,001**	12,925
15,16	Investment in associate	**2,870**	2,456	**1,470**	1,470
15,17	Interest in joint ventures	**1,609**	935	**303**	269
15	Other investments	**51**	251	**—**	200
	Financial assets				
27	- Derivative financial instruments	**—**	132	**—**	111
21	- Non-current receivables	**50**	100	**—**	—
19	Deferred tax assets	**5,318**	3,228	**4,640**	2,750
		40,906	37,799	**19,414**	17,725
	Current assets				
20	Inventories	**31,014**	14,853	**—**	—
21	Trade and other receivables	**50,754**	35,481	**17,221**	14,575
22	Current tax assets	**65**	82	**1,602**	508
	Financial assets				
27	- Derivative financial instruments	**927**	—	**31**	—
23	- Cash at bank and in hand	**3,896**	1,315	**—**	1,141
		86,656	51,731	**18,854**	16,224
	Total assets	**127,562**	89,530	**38,268**	33,949
	Liabilities				
	Current liabilities				
	Financial liabilities				
26	- Borrowings	**(15,004)**	(10,717)	**(5,489)**	(3,379)
27	- Derivative financial instruments	**(22)**	(10)	**—**	—
24	Trade and other payables	**(52,977)**	(28,478)	**(2,328)**	(1,117)
25	Current tax liabilities	**(2,054)**	(570)	**—**	—
		(70,057)	(39,775)	**(7,817)**	(4,496)
	Non-current liabilities				
	Financial liabilities				
26	- Borrowings	**(6,325)**	(5,971)	**(5,371)**	(5,117)
27	- Derivative financial instruments	**(14)**	—	**(14)**	—
28	Retirement benefit obligation	**(16,558)**	(9,807)	**(16,558)**	(9,807)
19	Deferred tax liabilities	**(4,775)**	(3,418)	**—**	—
24	Other non-current liabilities	**(2,237)**	(1,705)	**—**	—
		(29,909)	(20,901)	**(21,943)**	(14,924)
	Total liabilities	**(99,966)**	(60,676)	**(29,760)**	(19,420)
	Net assets	**27,596**	28,854	**8,508**	14,529
	Shareholders' equity				
29	Ordinary shares	**2,094**	2,064	**2,094**	2,064
30	Share premium	**5,252**	5,073	**5,252**	5,073
30	Treasury share reserve	**(101)**	(101)	**—**	—
30,31	Equity compensation reserve	**206**	95	**233**	112
30	Foreign exchange reserve	**107**	(483)	**—**	—
30	Other reserve	**1,539**	1,570	**—**	—
30	Retained earnings	**15,880**	18,574	**929**	7,280
30	**Total shareholders' equity**	**24,977**	26,792	**8,508**	14,529
30	Minority interests in equity	**2,619**	2,062	**—**	—
30	**Total equity**	**27,596**	28,854	**8,508**	14,529

The financial statements set out on pages 28 to 79 were approved by the Board on 17 November 2008 and signed on its behalf by:

Christopher N C Holmes **Ronald C Wood**

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT
For the period ended 30 August 2008

Notes		Group 52 week period 2008 £'000	Group 52 week period 2007 £'000	Company 52 week period 2008 £'000	Company 52 week period 2007 £'000
	Cash flows from operating activities				
33	Cash generated from/(used in) operations	**5,233**	6,906	**(2,755)**	(731)
	Interest received	**447**	389	**580**	551
	Interest paid	**(2,016)**	(1,407)	**(739)**	(596)
	Tax (paid)/recovered	**(647)**	(2,053)	**373**	570
	Net cash generated from/(used in) operating activities	**3,017**	3,835	**(2,541)**	(206)
	Cash flows from investing activities				
	Acquisition of subsidiaries (net of cash acquired) - group	**(588)**	(1,141)	—	—
	Investment in joint ventures	**(294)**	—	—	—
	Dividends received from subsidiaries	—	—	**3,340**	4,250
	Net payment of loans to subsidiaries	—	—	**(2,606)**	—
	Net payment of loans to joint ventures	—	(90)	—	(165)
	Purchase of intangible assets	**(4)**	(11)	—	—
	Proceeds from sale of property, plant and equipment	**177**	121	—	—
	Purchase of property, plant and equipment	**(2,141)**	(1,896)	—	—
	Proceeds from sale of investment property	—	96	—	—
	Proceeds from sale of investments	—	1	—	1
	Receipt of non-current receivables	**50**	100	—	—
	Purchase of own shares held in trust	—	(101)	—	(101)
	Net cash (used in)/generated from investing activities	**(2,800)**	(2,921)	**734**	3,985
	Cash flows from financing activities				
	Net proceeds from issue of ordinary share capital	**209**	75	**209**	75
	Net proceeds from loans from subsidiaries	—	—	**1,021**	560
	Net proceeds from issue of new bank loans and other borrowings	**1,495**	—	**1,495**	—
	Finance lease principal repayments	**(912)**	(1,005)	—	—
	Repayment of borrowings	**(1,010)**	(900)	**(750)**	(900)
	Increase in other borrowings	**1,872**	817	—	—
	Disposal of interest rate swap	**111**	—	**111**	—
	Dividends paid to shareholders	**(1,618)**	(1,486)	**(1,618)**	(1,486)
	Net cash generated from/(used in) financing activities	**147**	(2,499)	**468**	(1,751)
	Effects of exchange rate changes	**300**	(97)	**78**	(4)
	Net increase/(decrease) in cash and cash equivalents	**664**	(1,682)	**(1,261)**	2,024
23	Cash and cash equivalents at beginning of the period	**(598)**	1,084	**1,141**	(883)
23	Cash and cash equivalents at end of the period	**66**	(598)	**(120)**	1,141

PRINCIPAL ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

The company is a public limited company incorporated and domiciled in England and Wales whose shares are listed and traded on the London Stock Exchange. The address of its registered office is Old Croft, Stanwix, Carlisle, CA3 9BA.

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

The consolidated financial statements are prepared under the historic cost convention, except where IFRS requires assets and liabilities to be measured at fair value.

BASIS OF CONSOLIDATION

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

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

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

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

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group.

EMPLOYEE SHARE TRUST

Standing Interpretations Committee (SIC) 12 requires that the Group consolidate a special purpose entity where the substance of the relationship between the parties indicates that the Group controls the entity. The employee share trust sponsored by the Group falls within this category of special purpose entity and has been accounted for as if it were, in substance, a subsidiary.

Shares acquired by the trust have been recognised in the treasury share reserve and have been excluded from the calculation of earnings per share in the current period, as the shares have not been allocated to a share scheme. When such an allocation occurs the shares will be included in the diluted earnings per share calculation.

CURRENCY TRANSLATION

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

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Exchange differences resulting from the settlement of such transactions and from the translation, at exchange rates ruling at the balance sheet date, of monetary assets and liabilities denominated in currencies other than the functional currency are recognised in the consolidated income statement.

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

REVENUE RECOGNITION

Revenue from the sale of goods or services is measured at the fair value of the consideration, net of rebates and excluding value added tax. Revenue from the sale of goods or services is recognised when the Group has transferred the significant risks and rewards of ownership of the goods to the buyer, when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Inter segmental revenue is on an arm's length basis.

In respect of long-term contracts, revenue is calculated on the basis of the stage of completion and the total sales value of each contract.

RETIREMENT BENEFIT OBLIGATIONS

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

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

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

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

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

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

The Group's share of the deficit in the Carrs Billington Agriculture Pension Scheme is recognised through its investment in associate.

SHARE BASED PAYMENTS

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

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

INTEREST

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

SEGMENTAL REPORTING

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

NON-RECURRING ITEMS AND AMORTISATION

Non-recurring items and amortisation that are material by size and/or by nature are presented within their relevant income statement category. Items that management consider fall into this category are disclosed on the face of the consolidated income statement and within a note to the financial statements. The separate disclosure of non-recurring items and amortisation helps provide a better indication of the Group's underlying business performance. Events which may give rise to non-recurring items and amortisation include gains or losses on the disposal of businesses, the restructuring of businesses, the integration of new businesses, asset impairments, net gains on transfers of deferred pensioners from the group pension scheme, the withdrawal of Industrial Buildings Allowances and amortisation of intangible assets.

GOODWILL

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

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

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

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

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

OTHER INTANGIBLE ASSETS

Other intangible assets are carried at cost less accumulated amortisation. Amortisation commences when assets are available for use. The expected useful lives, over which the assets are amortised, are generally as follows:

Customer relationships	1 - 5 years
Brands	20 years
Know-how	5 years
Patents and trademarks	contractual life

Customer relationships and brands are amortised in line with the profit and income streams they are respectively expected to generate over their expected useful life.

Know-how, patents, and trademarks are amortised on a straight-line basis.

PRINCIPAL ACCOUNTING POLICIES continued

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

Freehold buildings	up to 50 years
Leasehold buildings	shorter of 50 years or lease term
Plant	5 to 20 years
Computer hardware	3 to 5 years
Vehicles	4 to 10 years
Fixtures and fittings	3 to 5 years

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

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the income statement.

INVESTMENT PROPERTY

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

Freehold buildings	up to 50 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the income statement.

IMPAIRMENT OF ASSETS

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

INVENTORIES

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

Contract work in progress is measured at the selling price of the work performed at the balance sheet date. The selling price is measured by reference to the stage of completion at the balance sheet date and total expected income from the contract work.

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

Where it is probable that contract costs will exceed total contract revenue the expected loss is recognised immediately as an expense in the income statement.

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

CASH AND CASH EQUIVALENTS

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

GRANTS

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

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

LEASES

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

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

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

TAX

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

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

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

Tax is recognised in the consolidated income statement, unless the tax relates to items recognised directly in shareholders' equity, in which case the tax is recognised directly in shareholders' equity through the consolidated statement of recognised income and expense.

In the 2007 budget a reduction in the corporation tax rate from 30% to 28% was announced taking effect from 1 April 2008. This reduction is reflected in the corporation tax charge in the income statement, unless the tax relates to items recognised directly in shareholders' equity, in which case the tax is recognised directly in shareholders' equity through the consolidated statement of recognised income and expense.

During the period the proposal that Parliament abolish Industrial Buildings Allowances was substantively enacted. The effect of this has been to increase the deferred tax charge and liability.

DIVIDENDS

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

Dividends receivable are recognised in the period in which they are received.

FINANCIAL INSTRUMENTS

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

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements - Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group or Company's financial instruments, or the disclosures relating to taxation and trade and other payables.

<u>Trade receivables</u>

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.
The carrying amount of the asset is reduced though the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

<u>Investments</u>

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

Available for sale financial assets are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

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

<u>Financial liability and equity</u>

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

<u>Bank borrowings</u>

Interest-bearing loans and overdrafts are recognised initially at fair value net of direct issue costs and are subsequently stated at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

<u>Trade payables</u>

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

<u>Equity instruments</u>

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

<u>Derivative financial instruments and hedging activities</u>

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

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

PRINCIPAL ACCOUNTING POLICIES continued

NEW STANDARDS AND INTERPRETATIONS

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

	Effective for periods commencing on or after
IAS 1 Revised - Presentation of financial statements	1 January 2009
IFRS 8 Operating Segments	1 January 2009
IFRIC 12 Service Concession Arrangements	1 January 2008
IFRIC 13 Customer Loyalty Programmes	1 July 2008
IFRIC 14 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'	1 January 2008
IAS 23 Revised - Borrowing costs	1 January 2009
Amendment to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of financial statements Puttable financial instruments and obligations arising on liquidation	1 January 2009
IAS 27 (Revised) Consolidated and separate financial statements	1 July 2009
Amendment to IAS 39 - Eligible hedged items	1 January 2009
Amendment to IFRS 1 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements'	1 January 2009
IFRS 2, Share-based payment Amendment Vesting conditions and cancellations	1 January 2009
IFRS 3 (Revised) Business combinations	1 July 2009

It is considered that the above standards and interpretations will not have a significant effect on the results or net assets of the Group. IAS 1 Revised and IFRS 8 will have no impact on the results or net assets of the Group but will increase the level of disclosure to be made in the financial statements. In the current economic climate it is considered that IFRIC 14 will have no effect on the results or net assets of the Group.

From 2 September 2007, the following standards, amendments and interpretations became effective and were adopted by the Group:

- IFRIC 10 Interim financial reporting and impairment
- IFRIC 11 Group and treasury share transactions
- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Amendment - Presentation of financial statements

The adoption of these amendments and interpretations has not had a significant impact on the Group's profit for the year or equity.

IFRS 7 has impacted the disclosures in the notes to the consolidated financial statements.

SIGNIFICANT JUDGEMENTS, KEY ASSUMPTIONS AND ESTIMATES

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

Valuation of pension obligations

The valuation of the Group's defined benefit pension scheme is determined each period following advice from the Group's actuary and can fluctuate based on a number of external factors. Such factors include the major assumptions as shown in the table in note 28 and actual returns on scheme assets compared to those predicted in the previous scheme valuation.

Valuation of share-based payments

The fair value of share-based payments is determined using valuation models and is charged to the income statement over the vesting period.

The valuation models require certain assumptions to be made as shown in the tables in note 31. Estimations of vesting and satisfaction of performance criteria are required to determine fair value.

Impairment of goodwill

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

No impairment has been identified in the period (note 12).

Provision for impairment of trade receivables

The financial statements include a provision for impairment of trade receivables (note 21) that is based on management's estimation of recoverability. There is a risk that the provision will not match the trade receivables that ultimately prove to be irrecoverable.

Valuation of derivative financial instruments

The fair value of derivative financial instruments is determined using market factors at the period end over which management have no control. Such factors include the estimation of future currency exchange rates and interest rates. In addition the fair value of such instruments is affected by the global economic environment and financial institution pricing structures.

NOTES TO THE FINANCIAL STATEMENTS

1 The Company has taken advantage of the exemption, under section 230 of the Companies Act 1985, from presenting its own income statement. The profit after tax for the period dealt with in the accounts of the Company was £3,216,000 (2007: £4,742,000).

2 **SEGMENTAL REPORTING**

Primary reporting format - business segments

The segment results for the period ended 30 August 2008 are as follows:

	Agriculture £'000	Food £'000	Engineering £'000	Other £'000	Group £'000
Total gross segment revenue	276,158	85,563	10,885	198	372,804
Inter-segment revenue	(331)	(3)	(163)	—	(497)
Revenue	275,827	85,560	10,722	198	372,307
Operating profit/(loss) before retirement benefit charge*	11,711	1,956	1,085	(817)	13,935
Analysed as:					
Before non-recurring items and amortisation	11,752	2,012	1,060	(950)	13,874
Non-recurring items and amortisation	(41)	(56)	25	133	61
	11,711	1,956	1,085	(817)	13,935
Retirement benefit charge*					(1,060)
Interest income					454
Interest expense					(2,026)
Other interest expense					(35)
Share of post-tax profit of associate (Agriculture)					1,273
Share of post-tax profit of joint ventures (Agriculture)					317
Profit before taxation					12,858
Taxation					(4,605)
Profit for the period					8,253
Segment assets	75,899	28,294	8,955	671	113,819
Unallocated assets					
- Investment in associate (Agriculture)					2,870
- Investment in joint ventures (Agriculture)					1,609
- Other investments					51
- Income tax assets					5,383
Total assets					123,732

Total assets in the above analysis represents total assets as disclosed in the balance sheet of £127,562,000 less bank overdrafts of £3,830,000.

	Agriculture £'000	Food £'000	Engineering £'000	Other £'000	Group £'000
Segment liabilities	42,962	7,074	2,746	2,468	55,250
Unallocated liabilities					
- Group borrowings					17,499
- Retirement benefit obligation*					16,558
- Income tax liabilities					6,829
Total liabilities					96,136

Total liabilities in the above analysis represents total liabilities as disclosed in the balance sheet of £99,966,000 less bank overdrafts of £3,830,000.

Other segment items

	Agriculture £'000	Food £'000	Engineering £'000	Other £'000	Group £'000
Capital expenditure (excluding acquisitions)					
- Property, plant and equipment	1,722	1,029	119	190	3,060
- Other intangible assets	4	—	—	—	4
Depreciation of property, plant and equipment	1,549	1,351	291	127	3,318
Depreciation of investment property	—	15	—	4	19
(Profit)/loss on the disposal of property, plant and equipment	(41)	(4)	—	2	(43)
Amortisation of intangible assets	50	77	32	—	159
Impairment of trade investment	—	—	—	200	200

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

NOTES TO THE FINANCIAL STATEMENTS continued

2 SEGMENTAL REPORTING continued

Primary reporting format - business segments

The segment results for the period ended 1 September 2007 are as follows:

	Agriculture £'000	Food £'000	Engineering £'000	Other £'000	Group £'000
Total gross segment revenue	186,249	57,038	9,790	214	253,291
Inter-segment revenue	(319)	(3)	(216)	—	(538)
Revenue	185,930	57,035	9,574	214	252,753
Operating profit/(loss) before retirement benefit charge*	5,145	1,102	1,018	(313)	6,952
Analysed as:					
Before non-recurring items and amortisation	5,235	1,419	1,018	(313)	7,359
Non-recurring items and amortisation	(90)	(317)	—	—	(407)
	5,145	1,102	1,018	(313)	6,952
Retirement benefit charge*					(1,167)
Interest income					392
Other finance income					95
Interest expense					(1,484)
Share of post-tax profit of associate (Agriculture)					496
Share of post-tax profit of joint ventures (Agriculture)					242
Profit before taxation					5,526
Taxation					(1,225)
Profit for the period					4,301
Segment assets	44,304	27,157	7,317	1,887	80,665
Unallocated assets					
- Investment in associate (Agriculture)					2,456
- Investment in joint ventures (Agriculture)					935
- Other investments					251
- Income tax assets					3,310
Total assets					87,617

Total assets in the above analysis represents total assets as disclosed in the balance sheet of £89,530,000 less bank overdrafts of £1,913,000.

	Agriculture £'000	Food £'000	Engineering £'000	Other £'000	Group £'000
Segment liabilities	22,090	5,787	1,302	1,014	30,193
Unallocated liabilities					
- Group borrowings					14,775
- Retirement benefit obligation*					9,807
- Income tax liabilities					3,988
Total liabilities					58,763

Total liabilities in the above analysis represents total liabilities as disclosed in the balance sheet of £60,676,000 less bank overdrafts of £1,913,000.

Other segment items

	Agriculture £'000	Food £'000	Engineering £'000	Other £'000	Group £'000
Capital expenditure (excluding acquisitions)					
- Property, plant and equipment	1,177	907	140	528	2,752
- Other intangible assets	11	—	—	—	11
Depreciation of property, plant and equipment	1,455	1,626	286	140	3,507
Depreciation of investment property	—	15	—	4	19
Loss on the disposal of property, plant and equipment	7	3	4	4	18
Profit on the disposal of investment property	(77)	—	—	—	(77)
Amortisation of intangible assets	97	317	32	—	446

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

2 SEGMENTAL REPORTING continued
Secondary reporting format - geographical segments

	Revenue		Segment assets		Capital Expenditure	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000
UK	**359,700**	242,056	**110,919**	78,009	**2,989**	2,577
Other	**12,607**	10,697	**2,900**	2,656	**75**	186
	372,307	252,753	**113,819**	80,665	**3,064**	2,763

The geographical analysis of revenue is presented by revenue origin. There is no material difference between revenue by origin and revenue by destination. Included within capital expenditure is intangible asset additions of £4,000 (2007: £11,000).

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

		2008		2007	
		£'000	**£'000**	£'000	£'000
Revenue - from sale of goods		**361,585**		243,179	
- from contracts		**10,722**		9,574	
			372,307		252,753
Cost of sales			**(327,757)**		(218,603)
Gross profit			**44,550**		34,150
Net operating expenses:					
Distribution costs		**(18,105)**		(17,897)	
Administrative expenses	- normal	**(13,631)**		(10,061)	
	- non-recurring items and amortisation (see note 6)	**61**		(407)	
		(13,570)		(10,468)	
			(31,675)		(28,365)
Group operating profit			**12,875**		5,785

4 GROUP OPERATING PROFIT

	2008 £'000	2007 £'000
Group operating profit is stated after charging/(crediting):		
Amortisation of grants	**(20)**	(20)
Loss on disposal of investments	**—**	3
(Profit)/loss on disposal of property, plant and equipment	**(43)**	18
Profit on disposal of investment property	**—**	(77)
Depreciation of property, plant and equipment held under finance lease	**901**	823
Depreciation of owned property, plant and equipment	**2,417**	2,684
Depreciation of owned investment property	**19**	19
Amortisation of intangible assets	**159**	446
Foreign exchange losses/(gains)	**378**	(83)
Derivative financial instruments gains	**(915)**	(17)
Operating lease charges:		
Plant and machinery	**606**	646
Other	**3**	1
Auditors' remuneration:		
Audit services (Company £10,000; 2007 £10,000)	**63**	60
The auditing of accounts of associates of the company pursuant to legislation (including that of countries and territories outside Great Britain)	**124**	115
Services relating to taxation	**69**	45
Other services	**48**	—
Included within group operating profit is the following in respect of investment property leased to, and occupied by, external parties:		
Rental income	**43**	38
Operating expenses	**(59)**	(58)
	(16)	(20)

NOTES TO THE FINANCIAL STATEMENTS continued

5 SHARE OF POST-TAX PROFIT IN ASSOCIATE AND JOINT VENTURES

		2008 £'000	2007 £'000
Share of post-tax profit in associate	- normal	**1,273**	615
	- non-recurring items and amortisation (see note 6)	**—**	(119)
		1,273	496
Share of post-tax profit in joint ventures	- normal	**321**	261
	- non-recurring items and amortisation (see note 6)	**(4)**	(19)
		317	242
Total share of post-tax profit in associate and joint ventures		**1,590**	738

6 NON-RECURRING ITEMS AND AMORTISATION

	2008 Amount £'000	2008 Tax credit/ (charge) £'000	2007 Amount £'000	2007 Tax credit £'000
Group operating profit:				
Amortisation of intangible assets	**(118)**	**33**	(407)	114
Net gain on transfer of deferred pensioners from Group scheme	**379**	**(95)**	—	—
Impairment of trade investment	**(200)**	**—**	—	—
	61	**(62)**	(407)	114
Share of post-tax profit in associate and joint ventures:				
Impairment of goodwill and property, plant and equipment recognised in associate, net of tax	**—**	**—**	(119)	—
Amortisation of intangible assets and impairment of goodwill recognised in joint ventures, net of tax	**(4)**	**—**	(19)	—
Non-recurring items and amortisation before taxation	**57**	**(62)**	(545)	114
Withdrawal of Industrial Buildings Allowances	**—**	**(1,317)**	—	—
Total non-recurring items and amortisation	**57**	**(1,379)**	(545)	114
Profit before taxation	**12,858**		5,526	
Non-recurring items and amortisation	**57**		(545)	
Adjusted profit before taxation	**12,801**		6,071	
Group operating profit	**12,875**		5,785	
Non-recurring items and amortisation	**61**		(407)	
Adjusted Group operating profit	**12,814**		6,192	

7 STAFF COSTS

Group	2008 £'000	2007 £'000
Wages and salaries	**18,827**	17,911
Social security costs	**2,154**	1,893
Other pension costs	**1,887**	1,914
Share based payment expense	**123**	84
	22,991	21,802

Included within other pension costs is £1,060,000 (2007: £1,167,000) in respect of the defined benefit pension scheme.

The above disclosure excludes the £379,000 net gain arising from the transfer of deferred pensioners from the Group pension scheme (note 28).

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

	2008 Number	2007 Number
Sales, office and management	**439**	433
Manufacture and distribution	**299**	305
	738	738

Key management are considered to be the directors of the Group.

Full details of the directors' emoluments, pension benefits and share options are given in the Directors' Remuneration Report on pages 23 to 26.

Company	2008 £'000	2007 £'000
Wages and salaries	**1,108**	827
Social security costs	**327**	87
Other pension costs	**883**	355
Share based payment expense	**46**	24
	2,364	1,293

In addition to the above the company results reflect the IAS19 charge of £1,060,000 (2007: £1,167,000) in respect of the defined benefit pension scheme, and the IAS19 credit of £2,517,000 (2007: £2,586,000) in respect of defined benefit employers contributions paid by the Group (note 28).

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

	2008 Number	2007 Number
Sales, office and management	**16**	15

Key management are considered to be the directors of the Company.

Full details of the directors' emoluments, pension benefits and share options are given in the Directors' Remuneration Report on pages 23 to 26.

NOTES TO THE FINANCIAL STATEMENTS continued

8 INTEREST INCOME, OTHER FINANCE INCOME, INTEREST EXPENSE AND OTHER FINANCE EXPENSE

	2008 £'000	2007 £'000
Interest income		
Bank interest	**372**	336
Other interest	**82**	56
Total interest income	**454**	392
Other finance income		
Movement in fair value of interest related derivative instruments (note 27)	**—**	95
Total other finance income	**—**	95
Interest expense		
Interest payable on bank overdrafts	**(639)**	(357)
Interest payable on bank loans and other borrowings	**(1,131)**	(868)
Interest payable on finance leases and hire purchase contracts	**(114)**	(127)
Other interest	**(142)**	(132)
Total interest expense	**(2,026)**	(1,484)
Other finance expense		
Movement in fair value of interest related derivative instruments (note 27)	**(35)**	—
Total other finance expense	**(35)**	—

9 TAXATION

	2008 £'000	2007 £'000
(a) Analysis of the charge/(credit) in the period		
Current tax:		
UK corporation tax		
Current period	**2,653**	950
Prior period	**(381)**	(347)
Foreign tax		
Current period	**479**	472
Prior period	**—**	(14)
Consortium relief		
Prior period	**261**	73
Group current tax	**3,012**	1,134
Deferred tax:		
Origination and reversal of timing differences	**1,593**	91
Group deferred tax (note 19)	**1,593**	91
Tax on profit on ordinary activities	**4,605**	1,225

(b) Factors affecting tax charge for the period
The tax assessed for the period is higher (2007: lower) than the rate of corporation tax in the UK of 29.17% (2007: 30%). The differences are explained below:

	2008 £'000	2007 £'000
Profit before tax	**12,858**	5,526
Tax at 29.17% (2007: 30%)	**3,751**	1,658
Effects of:		
Tax effect of share of profit in associate and joint ventures	**(464)**	(221)
Tax effect of expenses that are not allowable in determining taxable profit	**185**	256
Effects of withdrawal of Industrial Buildings Allowances	**1,317**	—
Effects of different tax rates of foreign subsidiaries	**68**	35
Effects of tax at marginal rates	**—**	15
Effects of changes in tax rates	**(90)**	(271)
Over provision in prior years	**(120)**	(246)
Utilisation of unrecognised tax losses	**(50)**	—
Other	**8**	(1)
Total tax charge for the period	**4,605**	1,225

9 TAXATION continued

In the 2007 budget a reduction in the corporation tax rate from 30% to 28% was announced taking effect from 1 April 2008. This reduction is reflected in the corporation tax charge for the period.

During the period the proposal that Parliament abolish Industrial Buildings Allowances was substantively enacted. The effect of this has been to increase the deferred tax charge and liability by £1,317,000 (2007: £nil).

10 DIVIDENDS

Equity	2008 £'000	2007 £'000
Final dividend for the period ended 1 September 2007 of 13.5p per 25.0p share (2006: 12.5p)	**1,115**	1,032
Interim paid of 6.0p per 25.0p share (2007: 5.5p)	**503**	454
	1,618	1,486

The proposed dividend to be considered by shareholders at the Annual General Meeting is £1,493,329, being 17.0p per share, making a total for the period of 23.0p. This includes dividends payable on shares issued since the period end (note 29). The financial statements do not reflect this dividend payable.

11 EARNINGS PER ORDINARY SHARE

Earnings per share are calculated by reference to a weighted average of 8,304,877 shares (2007: 8,240,848) in issue during the period.

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

	2008 Earnings £'000	**2008** Earnings per share pence	2007 Earnings £'000	2007 Earnings per share pence
Earnings per share - basic	**7,701**	**92.7**	4,181	50.7
Non-recurring items and intangible asset amortisation:				
Amortisation of intangible assets	**118**	**1.4**	407	5.0
Net gain on transfer of deferred pensioners from Group scheme	**(379)**	**(4.6)**	—	—
Impairment of trade investment	**200**	**2.4**	—	—
Impairment of goodwill and property, plant and equipment recognised in associate, net of tax	**—**	**—**	119	1.5
Amortisation of intangible asset and impairment of goodwill recognised in joint ventures, net of tax	**4**	**0.1**	19	0.2
Taxation arising on the above non-recurring items and amortisation	**62**	**0.7**	(114)	(1.4)
Withdrawal of Industrial Buildings Allowances	**1,317**	**15.9**	—	—
Earnings per share - adjusted	**9,023**	**108.6**	4,612	56.0

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

	2008 Earnings £'000	**2008** Weighted average number of shares	**2008** Earnings per share pence	2007 Earnings £'000	2007 Weighted average number of shares	2007 Earnings per share pence
Earnings per share	**7,701**	**8,304,877**	**92.7**	4,181	8,240,848	50.7
Effect of dilutive securities:						
Options	**—**	**92,776**	**(1.0)**	—	107,639	(0.6)
Save as you earn (SAYE)	**—**	**13,855**	**(0.1)**	—	13,274	(0.1)
Deferred bonus scheme	**—**	**31,357**	**(0.4)**	—	23,214	(0.1)
Diluted earnings per share	**7,701**	**8,442,865**	**91.2**	4,181	8,384,975	49.9

NOTES TO THE FINANCIAL STATEMENTS continued

12 GOODWILL AND OTHER INTANGIBLE ASSETS

Group	Goodwill £'000	Customer relationships £'000	Brands £'000	Know-how £'000	Patents and trademarks £'000	Total £'000
Cost						
At 3 September 2006	295	2,266	357	160	50	3,128
Exchange differences	—	—	—	—	(3)	(3)
Additions	781	80	—	—	11	872
Reclassification	—	—	—	—	21	21
At 1 September 2007	1,076	2,346	357	160	79	4,018
Exchange differences	—	—	—	—	9	9
Additions	365	—	—	—	4	369
At 30 August 2008	**1,441**	**2,346**	**357**	**160**	**92**	**4,396**
Amortisation						
At 3 September 2006	60	1,882	63	80	6	2,091
Charge for the period	—	376	32	32	6	446
Reclassification	—	—	—	—	21	21
At 1 September 2007	60	2,258	95	112	33	2,558
Exchange differences	—	—	—	—	4	4
Charge for the period	—	88	30	32	9	159
At 30 August 2008	**60**	**2,346**	**125**	**144**	**46**	**2,721**
Net book value						
At 2 September 2006	235	384	294	80	44	1,037
At 1 September 2007	1,016	88	262	48	46	1,460
At 30 August 2008	**1,381**	**—**	**232**	**16**	**46**	**1,675**

During the period goodwill of £365,000 arose on the acquisition of J M Raine Limited (note 32). Goodwill represents the expansion of the existing agricultural and ground care machinery business.

In 2007 goodwill of £781,000 arose on the acquisition of Johnstone Fuels and Lubricants Limited. Goodwill represents the geographical expansion of the existing fuel and oil business in southwest Scotland together with expected group synergies arising from the acquisition. At acquisition the fair value of customer relationships was £80,000.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash generating units that are expected to benefit from the synergies of the acquisition. Goodwill is tested annually for impairment, or more frequently if there are indications that goodwill might be impaired. Goodwill is tested for impairment by estimating future cash flows from the cash generating units to which goodwill has been allocated and discounting these cash flows to their present value. The key assumptions in this calculation are in respect of discount rates used and change in cash flows. No impairment has been identified in the period.

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

Brands are being amortised in line with the income streams expected to be generated over the life of the brands. The directors estimate the useful economic life of the brands to be twenty years.

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

Patents and trademarks are being amortised over their contractual life on a straight line basis.

Amortisation is recognised within administrative expenses.

There is no goodwill or intangible assets in the company (2007: nil).

13 PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings £'000	Plant and equipment £'000	Assets in course of construction £'000	Total £'000
Cost				
At 3 September 2006	18,069	37,774	367	56,210
Exchange differences	(51)	(164)	(17)	(232)
Subsidiaries acquired	—	581	—	581
Additions	563	2,034	155	2,752
Disposals	(7)	(999)	—	(1,006)
Reclassifications	—	350	(350)	—
At 1 September 2007	18,574	39,576	155	58,305
Exchange differences	109	373	—	482
Subsidiaries acquired	299	145	—	444
Additions	83	2,752	225	3,060
Disposals	(5)	(1,295)	—	(1,300)
Reclassifications	136	19	(155)	—
At 30 August 2008	**19,196**	**41,570**	**225**	**60,991**
Depreciation				
At 3 September 2006	3,162	23,876	—	27,038
Exchange differences	(15)	(105)	—	(120)
Subsidiaries acquired	—	266	—	266
Charge for the period	524	2,983	—	3,507
Disposals	(4)	(863)	—	(867)
At 1 September 2007	3,667	26,157	—	29,824
Exchange differences	34	244	—	278
Subsidiaries acquired	—	88	—	88
Charge for the period	503	2,815	—	3,318
Disposals	(2)	(1,111)	—	(1,113)
At 30 August 2008	**4,202**	**28,193**	**—**	**32,395**
Net book value				
At 2 September 2006	14,907	13,898	367	29,172
At 1 September 2007	14,907	13,419	155	28,481
At 30 August 2008	**14,994**	**13,377**	**225**	**28,596**

Freehold land amounting to £2,498,545 (2007: £2,348,545) has not been depreciated.

The net book value of plant and equipment includes £2,961,525 (2007: £2,631,019) in respect of assets held under finance leases.

Depreciation is recognised within the Income Statement as shown below:

	2008 £'000	2007 £'000
Cost of Sales	**2,447**	2,643
Distribution costs	**141**	158
Administrative expenses	**730**	706
	3,318	3,507

The company has no property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS continued

14 INVESTMENT PROPERTY

Group	Land and buildings £'000
Cost	
At 3 September 2006	896
Disposals	(25)
At 1 September 2007	871
At 30 August 2008	**871**
Depreciation	
At 3 September 2006	102
Charge for the period	19
Disposals	(6)
At 1 September 2007	115
Charge for the period	19
At 30 August 2008	**134**
Net book value	
At 2 September 2006	794
At 1 September 2007	756
At 30 August 2008	**737**

Included within investment property are properties occupied by life tenants. The net book value of these properties at 30 August 2008 is £230,000 (2007: £236,000).

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

There is no investment property in the company.

15 INVESTMENTS

Group	Joint ventures £'000	Associate £'000	Other investments £'000	Total £'000
Cost				
At 3 September 2006	704	982	263	1,949
Exchange difference	(11)	—	—	(11)
Disposals	—	—	(3)	(3)
Share of post-tax profit	242	496	—	738
Share of gains recognised directly in equity	—	978	—	978
At 1 September 2007	935	2,456	260	3,651
Exchange difference	63	—	—	63
Additions	294	—	—	294
Share of post-tax profit	317	1,273	—	1,590
Share of losses recognised directly in equity	—	(859)	—	(859)
At 30 August 2008	**1,609**	**2,870**	**260**	**4,739**
Provision for impairment				
At 3 September 2006 and 1 September 2007	—	—	9	9
Provision in the period	—	—	200	200
At 30 August 2008	**—**	**—**	**209**	**209**
Net book value				
At 2 September 2006	704	982	254	1,940
At 1 September 2007	935	2,456	251	3,642
At 30 August 2008	**1,609**	**2,870**	**51**	**4,530**

Other investments comprise shares in several private limited companies. These investments have been classified as unquoted investments for which fair value cannot be reliably measured and are held at cost.

During the period Carrs Billington Agriculture (Sales) Limited increased its holding of preference shares in its joint venture, Bibby Agriculture Limited, at a cost of £290,000.

On 1 July 2007 Carrs Agriculture Limited exercised an option to purchase 50% of the issued share capital of Silloth Storage Company Limited. The cash consideration, including costs, was £4,050, which was paid and recognised during the period ended 30 August 2008. The principal activity of the joint venture is the storage of cane derived livestock feed supplements. Of the remaining 50%, 48% is held by Peter Cremer GmbH and 2% is held by Prime Molasses Limited.

During the period an investment with a carrying cost of £200,000 has been fully provided against. This investment is loss making and therefore the directors consider it appropriate to recognise the provision.

NOTES TO THE FINANCIAL STATEMENTS continued

15 INVESTMENTS continued

Company	Joint ventures £'000	Associate £'000	Shares in subsidiaries £'000	Other investments £'000	Total £'000
Cost					
At 3 September 2006	272	1,470	17,950	201	19,893
Exchange difference	(3)	—	—	—	(3)
Share based payment expense in respect of employees of subsidiary undertakings	—	—	61	—	61
Disposals	—	—	—	(1)	(1)
At 1 September 2007	269	1,470	18,011	200	19,950
Exchange difference	34	—	—	—	34
Share based payment expense in respect of employees of subsidiary undertakings	—	—	76	—	76
At 30 August 2008	**303**	**1,470**	**18,087**	**200**	**20,060**
Provision for impairment					
At 3 September 2006 and 1 September 2007	—	—	5,086	—	5,086
Provision in the period	—	—	—	200	200
At 30 August 2008	**—**	**—**	**5,086**	**200**	**5,286**
Net book value					
At 2 September 2006	272	1,470	12,864	201	14,807
At 1 September 2007	269	1,470	12,925	200	14,864
At 30 August 2008	**303**	**1,470**	**13,001**	**—**	**14,774**

Other investments comprise shares in several private limited companies. These investments have been classified as unquoted investments for which fair value cannot be reliably measured and are held at cost.

During the period an investment with a carrying cost of £200,000 has been fully provided against. This investment is loss making and therefore the directors consider it appropriate to recognise the provision.

16 INVESTMENT IN ASSOCIATE

The associated undertaking at 30 August 2008 is:
Group and company

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

Associates are accounted for using the equity method.

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

	2008 £'000	2007 £'000
Total assets	**24,572**	20,649
Total liabilities	**(21,215)**	(18,137)
Revenues	**92,324**	68,904
Profit after tax	**2,598**	1,012

Included within the investment in associate is a loan for £1,225,000 (2007: £1,225,000) which is considered to form part of the net investment in associate.

17 INTEREST IN JOINT VENTURES

The joint ventures at 30 August 2008 are:
Group

	Proportion of shares held				
Name	Ordinary %	Preference %	Country of incorporation	Country of operation	Activity
Crystalyx Products GmbH	50	—	Germany	Germany	Manufacture of animal feed blocks
Bibby Agriculture Limited	26	26	England	UK	Sale of agricultural products
Afgritech Limited	50	—	England	UK	Producers of ingredients of animal feed
Silloth Storage Company Limited	50	—	England	UK	Storage of cane derived livestock feed supplement

Crystalyx Products GmbH has a 31 December accounting period end.

Silloth Storage Company Limited has a 30 June accounting period end.

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

Joint ventures are accounted for using the equity method.

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

	2008 £'000	2007 £'000
Non-current assets	**1,636**	1,698
Current assets	**2,240**	1,822
Current liabilities	**(2,498)**	(2,435)
Non-current liabilities	**(656)**	(743)
Income	**12,420**	9,612
Expenses	**(11,961)**	(9,279)
Net finance costs	**(12)**	(28)

Goodwill of £17,000 arose on the investment in Silloth Storage Company Limited. This is included in the carrying amount of the Group's interest in joint ventures and is not shown as a separate asset.

Included within interest in joint ventures is an amount of £870,000 (2007: £580,000) which relates to the Group's interest in the preference share capital of Bibby Agriculture Limited.

NOTES TO THE FINANCIAL STATEMENTS continued

18 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

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

Investments in the subsidiaries listed above are held directly by the holding company.

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.

During the period Carrs Billington Agriculture (Sales) Limited acquired the entire issued share capital of J M Raine Limited (note 32). By the period end the trade and net assets of the company had been hived up into Carrs Billington Agriculture (Sales) Limited leaving a dormant company. As this company is dormant by the period end it has not been included in the list above.

19 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
Group	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000
Accelerated tax depreciation	**—**	—	**(3,907)**	(2,550)	**(3,907)**	(2,550)
Employee benefits	**4,636**	2,746	**—**	—	**4,636**	2,746
Other	**682**	482	**(868)**	(868)	**(186)**	(386)
Tax assets/(liabilities)	**5,318**	3,228	**(4,775)**	(3,418)	**543**	(190)

Movement in deferred tax during the period

	At 2 September 2007 £'000	Exchange differences £'000	In respect of acquisitions £'000	Recognised in income £'000	Recognised in equity £'000	**At 30 August 2008 £'000**
Accelerated tax depreciation	(2,550)	—	(3)	(1,354)	—	**(3,907)**
Employee benefits	2,746	—	—	(371)	2,261	**4,636**
Other	(386)	68	—	132	—	**(186)**
	(190)	68	(3)	(1,593)	2,261	**543**

Movement in deferred tax during the prior period

	At 3 September 2006 £'000	Exchange differences £'000	In respect of acquisitions £'000	Recognised in income £'000	Recognised in equity £'000	At 1 September 2007 £'000
Accelerated tax depreciation	(2,692)	—	(36)	178	—	(2,550)
Employee benefits	4,739	—	—	(398)	(1,595)	2,746
Other	(485)	(30)	—	129	—	(386)
	1,562	(30)	(36)	(91)	(1,595)	(190)

19 DEFERRED TAX ASSETS AND LIABILITIES continued

Company	Assets 2008 £'000	Assets 2007 £'000
Employee benefits	**4,636**	2,746
Other	**4**	4
Tax assets	**4,640**	2,750

Movement in deferred tax during the period	At 2 September 2007 £'000	Recognised in income £'000	Recognised in equity £'000	**At 30 August 2008 £'000**
Employee benefits	2,746	(371)	2,261	**4,636**
Other	4	—	—	**4**
	2,750	(371)	2,261	**4,640**

Movement in deferred tax during the prior period	At 3 September 2006 £'000	Recognised in income £'000	Recognised in equity £'000	At 1 September 2007 £'000
Employee benefits	4,739	(398)	(1,595)	2,746
Other	22	(18)	—	4
	4,761	(416)	(1,595)	2,750

Tax of £310,000 (2007: £373,000) in respect of capital losses has not been recognised as a deferred tax asset in the Group balance sheet.

Tax of £66,000 (2007: £85,000) in respect of trading losses has not been recognised as a deferred tax asset in the Company balance sheet.

During the period the proposal that Parliament abolish Industrial Buildings Allowances was substantively enacted. The impact of this change on the Group balance sheet is an increase in the deferred tax liability of £1,317,000. There has been no impact on the Company.

Included in the Group and Company Statement of Recognised Income and Expense is £3,116,000. This consists of the £2,261,000 deferred tax credit as shown in the tables above, £447,000 corporation tax credit arising on the £1,531,700 salary compensation for pension payment made to a director in the period and corporation tax credit of £408,000 on pension contributions in excess of the retirement benefit charge in the period.

Full details of the payment to a director are given in the Directors' Remuneration Report on pages 23 to 26.

NOTES TO THE FINANCIAL STATEMENTS continued

20 INVENTORIES

Group	2008 £'000	2007 £'000
Raw materials and consumables	**15,458**	6,582
Work in progress	**1,442**	953
Finished goods and goods for resale	**14,114**	7,318
	31,014	14,853

Inventories are stated after a provision for impairment of £619,000 (2007: £334,000).

Cost of sales consists of the following:

	2008 £'000	2007 £'000
Material cost	**311,929**	203,240
Processing cost	**4,420**	4,949
Other	**11,408**	10,414
	327,757	218,603

The company has no inventories.

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Current:				
Trade receivables	**49,817**	34,674	—	—
Less: provision for impairment of trade receivables	**(2,900)**	(2,082)	—	—
Trade receivables - net	**46,917**	32,592	—	—
Amounts recoverable on contracts	**394**	5	—	—
Amounts owed by Group undertakings (note 38)	—	—	**16,384**	13,914
Amounts owed by other related parties (note 38)	**625**	689	**374**	380
Other receivables	**1,585**	890	**284**	134
Prepayments and accrued income	**1,233**	1,305	**179**	147
	50,754	35,481	**17,221**	14,575
Non-current:				
Amounts owed by other related parties (note 38)	**50**	100	—	—
	50	100	—	—

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

The movement in the provision for impaired trade receivables consists of increases for additional provisions offset by receivables written off and unused provision released back to the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

During the period a charge of £1,019,000 (2007: £196,000) has been recognised within administrative expenses in the income statement in respect of the provision for impairment of trade receivables.

No impairment of other receivables has been recognised in the current or preceding period.

Interest bearing, non-trading amounts owed by group undertakings carry interest at base rate +1.75%. Such amounts are unsecured and repayable on demand.

21 TRADE AND OTHER RECEIVABLES continued

	2008 Gross £'000	2008 Impairment £'000	2007 Gross £'000	2007 Impairment £'000
The ageing of trade receivables is as follows:				
Not past due	**34,148**	**(208)**	21,821	(42)
Past due 0 - 30 days	**8,538**	**(159)**	6,037	(103)
Past due 31 - 60 days	**2,048**	**(130)**	2,382	(126)
Past due 61 - 90 days	**2,029**	**(481)**	1,879	(395)
Past due 91 - 120 days	**1,070**	**(284)**	801	(163)
Past 121 days	**1,984**	**(1,638)**	1,754	(1,253)
	49,817	**(2,900)**	34,674	(2,082)

The Company has no trade receivables.

No major renegotiation of terms has taken place during the current period or preceding period.

The credit quality of customers is assessed at subsidiary and Group level, taking into account their financial positions, past experiences and other relevant factors. Individual customer credit limits are imposed based on these factors.

It is group policy that overdue accounts are reviewed monthly at divisional management meetings to mitigate exposure to credit risk and are provided for where appropriate.

The maximum exposure to credit risk at the period end is the carrying value, net of provision for impairment, of each receivable. The Group and Company do not hold any significant collateral as security (2007: £nil).

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
The carrying value of trade receivables are denominated in the following currencies:				
Sterling	**46,283**	32,321	**—**	—
US Dollar	**347**	139	**—**	—
Euro	**287**	132	**—**	—
	46,917	32,592	**—**	—

22 CURRENT TAX ASSETS

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Corporation tax recoverable	**65**	82	**193**	272
Group taxation relief	**—**	—	**1,409**	236
	65	82	**1,602**	508

NOTES TO THE FINANCIAL STATEMENTS continued

23 CASH AND CASH EQUIVALENTS AND BANK OVERDRAFTS

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Cash at bank and in hand per the balance sheet	**3,896**	1,315	**—**	1,141
Bank overdrafts (note 26)	**(3,830)**	(1,913)	**(120)**	—
Cash and cash equivalents per the cash flow statement	**66**	(598)	**(120)**	1,141

24 TRADE AND OTHER PAYABLES

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Current:				
Trade payables	**33,882**	17,527	**—**	—
Payments on account	**2,549**	1,046	**—**	—
Amounts owed to Group undertakings (note 38)	**—**	—	**48**	219
Amounts owed to other related parties (note 38)	**9,336**	5,399	**—**	—
Other taxes and social security payable	**1,680**	949	**1,148**	217
Other payables	**1,733**	1,166	**360**	159
Accruals and deferred income	**3,797**	2,391	**772**	522
	52,977	28,478	**2,328**	1,117
Non-current:				
Other payables	**2,111**	1,559	**—**	—
Accruals and deferred income	**126**	146	**—**	—
	2,237	1,705	**—**	—

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

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

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

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
At the beginning of the period	**146**	166	**—**	—
Amortisation in the period	**(20)**	(20)	**—**	—
At the end of the period	**126**	146	**—**	—

25 CURRENT TAX LIABILITIES

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Current tax	**1,715**	493	**—**	—
Consortium tax relief (note 38)	**339**	77	**—**	—
	2,054	570	**—**	—

26 BORROWINGS

	Group		Company	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
Current:				
Bank overdrafts	**3,830**	1,913	**120**	—
Bank loans and other borrowings	**9,196**	6,826	**991**	493
Loans from group undertakings (note 38)	**—**	—	**4,378**	2,886
Other loans (note 38)	**1,225**	1,225	**—**	—
Finance leases	**753**	753	**—**	—
	15,004	10,717	**5,489**	3,379
Non-current:				
Bank loans	**5,371**	5,117	**5,371**	5,117
Other loans	**37**	30	**—**	—
Finance leases	**917**	824	**—**	—
	6,325	5,971	**5,371**	5,117
Borrowings are repayable as follows:				
On demand or within one year	**15,004**	10,717	**5,489**	3,379
In the second year	**5,710**	1,051	**5,122**	493
In the third to fifth years inclusive	**615**	4,920	**249**	4,624
	21,329	16,688	**10,860**	8,496

Group and company borrowings are shown in the balance sheet net of arrangement fees of £12,208 of which £8,667 is deducted from current liabilities (2007: £15,458 of which £7,000 is deducted from current liabilities).

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
The net borrowings are:				
Borrowings as above	**21,329**	16,688	**10,860**	8,496
Cash and cash equivalents	**(3,896)**	(1,315)	**—**	(1,141)
Net borrowings	**17,433**	15,373	**10,860**	7,355

Bank loans and other borrowings includes an amount of £8,205,000 (2007: £6,333,000) which is secured on trade receivables. The Company, together with certain subsidiaries, act as guarantors on the bank loans. Finance lease obligations are secured on the assets to which they relate.

Interest bearing loans from group undertakings carry interest at base rate or base rate + 1.25%. Such amounts are unsecured and repayable on demand.

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

Non-current bank loans includes a revolving credit facility of £4.5 million which is repayable in October 2009.

NOTES TO THE FINANCIAL STATEMENTS continued

26 BORROWINGS continued

Group Finance lease obligations	Future minimum lease payments 2008 £'000	 2007 £'000	Repayment profile 2008 £'000	 2007 £'000
Amount payable:				
Within one year	**855**	816	**753**	753
In the second year	**592**	530	**551**	528
In the third to fifth years inclusive	**425**	407	**366**	296
	1,872	1,753	**1,670**	1,577
Less: future finance charges	**(202)**	(176)		
Present value of lease obligations	**1,670**	1,577		

The Company has no finance lease obligations.

27 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The main financial risks arising from the Group's activities are credit risk, price risk, foreign currency risk, interest rate risk and liquidity 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.

Credit risk
The Group has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions, as well as credit exposures to customers. The credit quality of trade and other receivables is detailed in note 21.

The majority of Group revenues are made on credit terms. It is Group policy that overdue accounts are reviewed monthly at divisional management meetings to mitigate exposure to credit risk and are provided for where appropriate. The current financial climate requires the Group's credit control function to be exceptionally vigilant.

Price risk
The Group is not exposed to equity securities price risk. Due to the nature of its business the Group is exposed to commodity price risk such as the fluctuation in wheat prices. This risk is, however, managed primarily through the use of contracts to secure supply at agreed prices.

Market risk
Market risk is the risk that changes in foreign exchange rates (currency risk) and interest rates (interest rate risk) will affect income or the value of financial assets and liabilities.

Currency risk
The Group publishes its financial statements in Sterling but conducts business in some foreign currencies. As a result it is subject to foreign currency exchange risk due to the effects that exchange rate movements have on the translation of results and the underlying net assets of its foreign subsidiaries.

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

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

The Group is also exposed to foreign currency risk on its purchases of raw materials for the fertiliser and flour milling operations. The major currency involved is the US dollar. The policy of the Group is to hedge using forward foreign exchange contracts with UK banks as soon as commitment has been given to the underlying transaction. However the Group does not apply hedge accounting.

27 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS continued

Financial Instruments by currency

Group	2008 Sterling £'000	2008 US Dollar £'000	2008 Euro £'000	2008 Total £'000	2007 Sterling £'000	2007 US Dollar £'000	2007 Euro £'000	2007 Total £'000
Assets								
Other investments	51	—	—	51	251	—	—	251
Non-current derivatives	—	—	—	—	132	—	—	132
Non-current receivables	50	—	—	50	100	—	—	100
Current trade and other receivables	49,916	548	290	50,754	35,081	267	133	35,481
Current derivatives	—	896	31	927	—	—	—	—
Cash and cash equivalents	3,853	39	4	3,896	1,260	46	9	1,315
	53,870	1,483	325	55,678	36,824	313	142	37,279
Liabilities								
Current borrowings	13,138	(71)	1,937	15,004	11,854	(1,122)	(15)	10,717
Current derivatives	—	—	22	22	—	10	—	10
Current trade and other payables	45,986	6,834	157	52,977	27,231	1,184	63	28,478
Non-current borrowings	6,289	—	36	6,325	5,941	—	30	5,971
Non-current derivatives	14	—	—	14	—	—	—	—
Other non-current liabilities	125	2,112	—	2,237	145	1,560	—	1,705
	65,552	8,875	2,152	76,579	45,171	1,632	78	46,881

Company	2008 Sterling £'000	2008 US Dollar £'000	2008 Euro £'000	2008 Total £'000	2007 Sterling £'000	2007 US Dollar £'000	2007 Euro £'000	2007 Total £'000
Assets								
Other investments	—	—	—	—	200	—	—	200
Non-current derivatives	—	—	—	—	111	—	—	111
Current trade and other receivables	17,221	—	—	17,221	14,575	—	—	14,575
Current derivatives	—	—	31	31	—	—	—	—
Cash and cash equivalents	—	—	—	—	188	948	5	1,141
	17,221	—	31	17,252	15,074	948	5	16,027
Liabilities								
Current borrowings	(1,015)	4,204	2,300	5,489	606	2,773	—	3,379
Current trade and other payables	2,328	—	—	2,328	1,117	—	—	1,117
Non-current borrowings	5,371	—	—	5,371	5,117	—	—	5,117
Non-current derivatives	14	—	—	14	—	—	—	—
	6,698	4,204	2,300	13,202	6,840	2,773	—	9,613

The Group and Company has right of offset on certain bank accounts.

Sensitivity analysis

The impact of a weakening or strengthening in Sterling against other currencies at the balance sheet date would be as follows:

	2008 5% weakening £'000	2008 5% strengthening £'000	2007 5% weakening £'000	2007 5% strengthening £'000
Impact on profit after taxation	(414)	375	(55)	50
Impact on total equity	(162)	148	125	(153)

This sensitivity analysis is not an indication of actual results, which may materially differ. For the purposes of this sensitivity analysis all other variables have been held constant.

NOTES TO THE FINANCIAL STATEMENTS continued

27 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS continued

Interest rate risk

The Group finances its operations through a mixture of retained earnings and bank borrowings. The Group borrows in the desired currencies at fixed and floating rates of interest and then uses interest rate caps and swaps to manage the Group's exposure to interest rate fluctuations. At the period end £7.4 million (2007: £6.6 million) of the group's borrowings were at a fixed rate of interest.

Group	**Weighted average effective interest rate %**	**2008 £'000**	Weighted average effective interest rate %	2007 £'000
Bank overdrafts	**6.00**	**3,830**	6.75	1,913
Bank loans and other borrowings	**6.52**	**14,567**	7.46	11,943
Other loans	**—**	**1,262**	—	1,255
Finance lease liabilities	**7.00**	**1,670**	8.70	1,577
		21,329		16,688
Fixed rate		**7,420**		6,577
Floating rate		**12,647**		8,856
Non-interest bearing		**1,262**		1,255
		21,329		16,688

The effect of the Group's interest rate swaps is to classify £5.75 million (2007: £5 million) of floating rate borrowings as fixed rate in the above table.

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

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

Company	**Weighted average effective interest rate %**	**2008 £'000**	Weighted average effective interest rate %	2007 £'000
Bank overdrafts	**6.00**	**120**	6.75	—
Bank loans and other borrowings	**6.86**	**6,362**	7.97	5,610
Loans from group undertakings	**5.02**	**4,378**	5.78	2,886
		10,860		8,496
Fixed rate		**5,750**		5,000
Floating rate		**5,110**		3,496
		10,860		8,496

The effect of the Company's interest rate swaps is to classify £5.75 million (2007: £5 million) of floating rate borrowings as fixed rate in the above table.

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

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

27 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS continued

Sensitivity analysis

The impact of a decrease or increase in interest rates during the period would be as follows:

	2008 1% decrease £'000	2008 1% increase £'000	2007 1% decrease £'000	2007 1% increase £'000
Impact on profit after taxation	**160**	**(160)**	132	(132)
Impact on total equity	**160**	**(160)**	132	(132)

This sensitivity analysis is not an indication of actual results, which may materially differ. For the purposes of this sensitivity analysis all other variables have been held constant.

Liquidity risk

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.

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which have been calculated using spot rates at the relevant balance sheet date.

	2008				2007			
Group	**Total £'000**	**Within one year £'000**	**One to two years £'000**	**Two to five years £'000**	Total £'000	Within one year £'000	One to two years £'000	Two to five years £'000
Bank overdrafts	**3,830**	**3,830**	**—**	**—**	1,913	1,913	—	—
Bank loans and other borrowings	**14,567**	**9,196**	**5,122**	**249**	11,943	6,826	493	4,624
Other loans	**1,262**	**1,225**	**37**	**—**	1,255	1,225	30	—
Finance lease liabilities	**1,670**	**753**	**551**	**366**	1,577	753	528	296
	21,329	**15,004**	**5,710**	**615**	16,688	10,717	1,051	4,920

	2008				2007			
Company	**Total £'000**	**Within one year £'000**	**One to two years £'000**	**Two to five years £'000**	Total £'000	Within one year £'000	One to two years £'000	Two to five years £'000
Bank overdrafts	**120**	**120**	**—**	**—**	—	—	—	—
Bank loans and other borrowings	**6,362**	**991**	**5,122**	**249**	5,610	493	493	4,624
Loans from group undertakings	**4,378**	**4,378**	**—**	**—**	2,886	2,886	—	—
	10,860	**5,489**	**5,122**	**249**	8,496	3,379	493	4,624

Borrowing facilities

The Group has various undrawn committed facilities. The undrawn facilities available at 30 August 2008, in respect of which all conditions precedent had been met, were as follows:

	2008 Floating rate £'000	2007 Floating rate £'000
Expiring in one year or less	**15,699**	11,673

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

NOTES TO THE FINANCIAL STATEMENTS continued

27 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS continued

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to optimise the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by shareholders' equity. Net debt is calculated as total borrowings (including current and non-current borrowings) as shown in the consolidated balance sheet less cash and cash equivalents. Shareholders' equity is as shown in the consolidated balance sheet.

The gearing ratio at 30 August 2008 was 69.8% (2007: 57.4%).

Fair values of financial assets and liabilities

	Group				Company			
	2008		2007		**2008**		2007	
	Book value £'000	**Fair value £'000**	Book value £'000	Fair value £'000	**Book value £'000**	**Fair value £'000**	Book value £'000	Fair value £'000
Assets								
Other investments	**51**	**51**	251	251	**—**	**—**	200	200
Non-current derivatives	**—**	**—**	132	132	**—**	**—**	111	111
Non-current receivables	**50**	**50**	100	100	**—**	**—**	—	—
Current trade and other receivables	**50,754**	**50,754**	35,481	35,481	**17,221**	**17,221**	14,575	14,575
Current derivatives	**927**	**927**	—	—	**31**	**31**	—	—
Cash and cash equivalents	**3,896**	**3,896**	1,315	1,315	**—**	**—**	1,141	1,141
	55,678	**55,678**	37,279	37,279	**17,252**	**17,252**	16,027	16,027
Liabilities								
Current borrowings	**15,004**	**15,004**	10,717	10,717	**5,489**	**5,489**	3,379	3,379
Current derivatives	**22**	**22**	10	10	**—**	**—**	—	—
Current trade and other payables	**52,977**	**52,977**	28,478	28,478	**2,328**	**2,328**	1,117	1,117
Non-current borrowings	**6,325**	**6,370**	5,971	6,058	**5,371**	**5,472**	5,117	5,196
Non-current derivatives	**14**	**14**	—	—	**14**	**14**	—	—
Other non-current liabilities	**2,237**	**2,237**	1,705	1,705	**—**	**—**	—	—
	76,579	**76,624**	46,881	46,968	**13,202**	**13,303**	9,613	9,692

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

Other investments consist of investments in unquoted companies, which are held at cost as fair value cannot be reliably measured.

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

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

Derivative financial instruments

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

27 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS continued

Currency derivatives

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

Group	2008 Fair Value £'000	2008 Contractual or notional amount £'000	2007 Fair Value £'000	2007 Contractual or notional amount £'000
At beginning of period	**(10)**	**932**	(27)	1,078
Gains during the period	**915**	**12,067**	17	(146)
At end of period	**905**	**12,999**	(10)	932
Included within:				
Current assets	**927**	**13,813**	—	—
Current liabilities	**(22)**	**(814)**	(10)	932
	905	**12,999**	(10)	932

Company	2008 Fair Value £'000	2008 Contractual or notional amount £'000	2007 Fair Value £'000	2007 Contractual or notional amount £'000
At beginning of period	**—**	**—**	(4)	267
Gains during the period	**31**	**1,920**	4	(267)
At end of period	**31**	**1,920**	—	—
Included within:				
Current assets	**31**	**1,920**	—	—
	31	**1,920**	—	—

Fair value has been determined by reference to the value of equivalent forward foreign currency contracts at the balance sheet date.

All forward foreign currency contracts have a maturity of less than one year after the balance sheet date. Gains and losses on currency related derivatives are included within adminstrative expenses.

Interest rate derivatives

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

	Interest rate cap				Interest rate swap			
	Group		Company		Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000
At beginning of period	**21**	6	**—**	—	**111**	31	**111**	31
Disposal of derivative	**—**	—	**—**	—	**(111)**	—	**(111)**	—
(Losses)/gains during the period	**(21)**	15	**—**	—	**(14)**	80	**(14)**	80
At end of period	**—**	21	**—**	—	**(14)**	111	**(14)**	111
Included within:								
Non-current assets	**—**	21	**—**	—	**—**	111	**—**	111
Non-current liabilities	**—**	—	**—**	—	**(14)**	—	**(14)**	—
	—	21	**—**	—	**(14)**	111	**(14)**	111

Fair value has been determined by reference to the value of equivalent instruments at the balance sheet date. All interest related derivatives have a maturity date of more than one year after the balance sheet date. Gains and losses on interest related derivatives are included within other finance income/expense in the income statement.

The interest rate cap has a notional value of £3,500,000 and a strike rate of 5.5%. The date of maturity was 30 September 2008. Interest rate swaps held at 31 August 2008 have outstanding notional values of £4,500,000 and £1,250,000 (original notional value of £1,500,000) and a fixed interest rate of 5.68% and 5.70% respectively. Interest payments under both swap agreements are being made at quarterly intervals. The date of maturity is 26 October 2009 and 3 December 2009 respectively.

NOTES TO THE FINANCIAL STATEMENTS continued

28 RETIREMENT BENEFIT OBLIGATION

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

Carr's Milling Industries

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

The pension expense for the defined contribution section of the scheme for the period was £174,000 (2007: £178,000). Contributions totalling £8,700 (2007: £8,000) were payable to the fund at the period end and are included in creditors.

During the period contributions were payable to a Group Personal Pension plan for certain employees of Carr’s Flour Mills Limited. The pension expense for this scheme for the period was £255,000 (2007: £264,000).

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

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

The pension contribution made by the Group over the period to the defined benefit section was £2,517,000 (2007: £2,586,000).

The following disclosures relate to the defined benefit section. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 1 January 2006 and updated on an approximate basis to 30 August 2008.

Major assumptions:

	2008 %	2007 %
Inflation	3.9	3.2
Salary increases	4.9	4.2
Rate of discount	6.2	5.9
Pension in payment increases:		
Pre 1 September 2001	4.2	3.5
Post 1 September 2001	3.9	3.2
Revaluation rate for deferred pensioners for pensions revaluing at 5.0% per annum or RPI if less	3.9	3.2

The mortality tables used in the valuation have been updated to PA92 (Year of Birth) and the medium cohort improvement factors. The mortality assumptions adopted imply the following life expectancies at age 65:

	At 30 August 2008	At 1 September 2007
Males currently age 40	**23.2 years**	20.2 years
Females currently age 40	**26.0 years**	23.1 years
Males currently age 65	**22.0 years**	19.4 years
Females currently age 65	**24.8 years**	22.4 years

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

	2008 £’000	2007 £’000
Current service cost	**678**	788
Interest on pension scheme liabilities	**2,490**	2,334
Expected return on pension scheme assets	**(2,108)**	(1,955)
	1,060	1,167

In addition a net gain of £379,000 arising from the transfer of deferred pensioners from the Group scheme is included within administrative expenses. Full details of this net gain can be found in the Operating and Financial Review on pages 12 to 15.

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

	2008 £’000	2007 £’000
Cost of Sales	**213**	404
Distribution costs	**7**	—
Administrative expenses	**840**	763
	1,060	1,167

Actuarial losses of £11,065,000 (2007: Gains of £4,570,000) have been reported in the Statement of Recognised Income and Expense.

28 RETIREMENT BENEFIT OBLIGATION continued

Amounts included in the Balance Sheet:

	2008 £'000	2007 £'000
Present value of defined benefit obligations	**(48,016)**	(43,721)
Fair value of scheme assets	**31,458**	33,914
Deficit in scheme	**(16,558)**	(9,807)
Past service cost not yet recognised in the balance sheet	**—**	—
Total liability recognised in the balance sheet	**(16,558)**	(9,807)
Amount included in current liabilities	**—**	—
Amount included in non-current liabilities	**(16,558)**	(9,807)

Movements in the present value of defined benefit obligations:

	2008 £'000	2007 £'000
At the beginning of the period	**43,721**	45,794
Current service cost	**678**	788
Interest cost	**2,490**	2,334
Changes in assumptions underlying the defined benefit obligation	**7,230**	(4,364)
Benefits paid	**(3,339)**	(831)
Reduction in obligation following payment in lieu of pension to a director	**(1,439)**	—
Effect of settlements	**(1,325)**	—
At the end of the period	**48,016**	43,721

The reduction in obligation following payment in lieu of pension to a director of £1,439,000 is recognised in the Statement of Recognised Income and Expense net of the payment made of £1,531,700. Full details are given in the Directors' Remuneration Report on pages 23 to 26.

Full details of the settlement are given in the Operating and Financial Review on pages 12 to 15.

Movements in the fair value of scheme assets:

	2008 £'000	2007 £'000
At the beginning of the period	**33,914**	29,998
Expected return on scheme assets	**2,108**	1,955
Actual return less expected return on scheme assets	**(3,742)**	206
Contributions by employer	**2,517**	2,586
Benefits paid	**(3,339)**	(831)
At the end of the period	**31,458**	33,914

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

	Expected return		Fair value of assets	
	2008 %	2007 %	2008 £'000	2007 £'000
Equity instruments	**7.3**	7.5	**15,715**	19,117
Debt instruments	**5.3**	5.75	**13,575**	12,462
Property	**6.8**	7.0	**1,678**	2,005
Other assets	**5.75**	5.75	**490**	330
	6.4	6.8	**31,458**	33,914
Actual return on scheme assets			**(1,634)**	2,161

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

NOTES TO THE FINANCIAL STATEMENTS continued

28 RETIREMENT BENEFIT OBLIGATION continued

History of scheme:

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Present value of the defined benefit obligation	**(48,016)**	(43,721)	(45,794)	(39,556)	(33,991)
Fair value of scheme assets	**31,458**	33,914	29,998	27,437	23,051
Deficit	**(16,558)**	(9,807)	(15,796)	(12,119)	(10,940)
Difference between expected and actual returns on scheme assets:					
Amount £'000	**(3,742)**	206	358	2,018	(397)
Percentage of scheme assets	**11.9%**	0.6%	1.2%	7.4%	1.7%
Experience gains and losses on scheme liabilities:					
Amount £'000	**(7,323)**	4,364	(4,258)	(3,561)	(227)
Percentage of scheme liabilities	**15.3%**	10.0%	9.3%	9.0%	0.7%

Included within the experience gains and losses on scheme liabilities is £92,700. This is the reduction in the obligation following payment in lieu of pension to a director of £1,439,000, net of the payment made of £1,531,700.

The Group expects to contribute approximately £2,600,000 to the defined benefit scheme in the next financial period.
The Company expects to contribute approximately £791,000 to the defined benefit scheme in the next financial period.

Carrs Billington Agriculture

Carrs Billington Agriculture (Sales) Limited, one of the Group's subsidiary undertakings, is a participating employer of the Carrs Billington Agriculture Pension Scheme, another funded defined benefit scheme. On 30 November 2007, following consultation with the active members, the Company and Trustees agreed to close the scheme to future service accrual. This resulted in a curtailment gain of £256,000.

The pension contribution made by Carrs Billington Agriculture (Sales) Limited over the period to the Carrs Billington Agriculture Pension Scheme was £15,000 (2007: £77,000).

The actuarial valuation as at 31 December 2006 shows that the market value of assets relating to the scheme was £19,921,000 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. It was assumed that the investment returns would be pre-retirement 6.2% per annum and post-retirement 4.7% per annum. At 31 December 2006, the scheme showed a deficit of £4,700,000.

Carrs Billington Agriculture (Sales) Limited offers a Group Personal Pension Plan to its employees and the pension expense for this plan in the period was £150,000 (2007: £115,000).

During the period contributions were also payable to a defined contribution pension scheme for certain employees of Carrs Billington Agriculture (Sales) Limited. The pension expense for this scheme for the period was £9,000 (2007: £9,000).

The following disclosures relate to the defined benefit scheme. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 31 December 2006 and updated on an approximate basis to 30 August 2008.

It is not possible to identify the underlying share of the pension scheme assets and liabilities that relate to the Group. At inception in June 2000 approximately 50% of the assets and liabilities of the pension scheme related to the Group and under IFRS approximately 50% of the assets and liabilities are included in the Group's financial statements through the investment in associate, which is the sponsoring employer of the scheme.

28 RETIREMENT BENEFIT OBLIGATION continued

Major assumptions:

	2008 %	2007 %
Inflation	**3.7**	3.3
Salary increases	**4.2**	3.8
Rate of discount	**6.2**	5.8
Pension in payment increases:		
LPI max 5%	**3.6**	3.3
LPI max 3%	**2.9**	2.75
LPI max 2.5%	**2.4**	2.25
Revaluation rate for deferred pensioners for pensions revaluing at 5.0% per annum or RPI if less	**3.6**	3.3

Mortality rates used in the valuation are based on the PMA92 and PFA92 tables, projected, medium cohort, allowing for members' actual year of birth. The mortality assumptions adopted imply the following life expectancies at age 65:

	At 30 August 2008	At 1 September 2007
Males currently age 45	**23.1 years**	23.0 years
Females currently age 45	**25.9 years**	25.8 years
Males currently age 65	**22.0 years**	21.9 years
Females currently age 65	**24.8 years**	24.8 years

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

	2008 £'000	2007 £'000
Current service cost	**27**	131
Interest on pension scheme liabilities	**1,259**	1,237
Expected return on pension scheme assets	**(1,400)**	(1,139)
Effects of curtailment	**(256)**	—
	(370)	229

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

The Group's share of the actuarial losses of £2,435,000 (2007: gains of £2,932,000) have been reported in the Statement of Recognised Income and Expense.

Amounts included in the Balance Sheet of the associate:

	2008 £'000	2007 £'000
Present value of defined benefit obligations	**(21,896)**	(22,322)
Fair value of scheme assets	**19,254**	20,661
Deficit in scheme	**(2,642)**	(1,661)
Past service cost not yet recognised in the balance sheet	**—**	—
Total liability recognised in the balance sheet	**(2,642)**	(1,661)

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

Movements in the present value of defined benefit obligations:

	2008 £'000	2007 £'000
At the beginning of the period	**22,322**	24,698
Current service cost	**27**	131
Interest cost	**1,259**	1,237
Changes in assumptions underlying the defined benefit obligation	**(570)**	(2,740)
Benefits paid	**(886)**	(1,004)
Curtailments	**(256)**	—
At the end of the period	**21,896**	22,322

NOTES TO THE FINANCIAL STATEMENTS continued

28 RETIREMENT BENEFIT OBLIGATION continued

Movements in the fair value of scheme assets:

	2008 £'000	2007 £'000
At the beginning of the period	**20,661**	19,008
Expected return on scheme assets	**1,400**	1,139
Actual return less expected return on scheme assets	**(3,005)**	192
Contributions by employer	**1,084**	1,326
Benefits paid	**(886)**	(1,004)
At the end of the period	**19,254**	20,661

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

	Expected return		Fair value of assets	
	2008 %	2007 %	**2008 £'000**	2007 £'000
Equity instruments	**7.3**	7.5	**13,862**	14,150
Debt instruments	**5.3**	5.1	**5,199**	5,628
Other assets	**5.3**	5.1	**193**	883
	6.7	6.7	**19,254**	20,661
Actual return on scheme assets			**(1,605)**	1,331

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

History of scheme:

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Present value of the defined benefit obligation	**(21,896)**	(22,322)	(24,698)	(23,943)	(19,677)
Fair value of scheme assets	**19,254**	20,661	19,008	17,466	14,820
Deficit	**(2,642)**	(1,661)	(5,690)	(6,477)	(4,857)
Difference between expected and actual returns on scheme assets:					
Amount £'000	**(3,005)**	192	783	1,688	100
Percentage of scheme assets	**15.6%**	1.0%	4.1%	9.7%	0.7%
Experience gains/(losses) on scheme liabilities:					
Amount £'000	**570**	2,740	(364)	(3,613)	(1,628)
Percentage of scheme liabilities	**2.6%**	12.3%	1.5%	15.1%	8.3%

It is expected that contributions of approximately £575,000 will be paid to the defined benefit scheme in the next financial period.

29 CALLED-UP SHARE CAPITAL

Group and Company	2008 Shares	2008 £'000	2007 Shares	2007 £'000
Authorised:				
Ordinary shares of 25p each	**10,500,000**	**2,625**	10,500,000	2,625
Allotted and fully paid ordinary shares of 25p each:				
At start of period	**8,256,599**	**2,064**	8,233,579	2,058
Exercise of share options	**112,677**	**29**	14,323	4
Allotment of shares	**5,010**	**1**	8,697	2
At end of period	**8,374,286**	**2,094**	8,256,599	2,064

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

During the period there was a further allotment of 5,010 shares (2007: 8,697) with a nominal value of £1,000 (2007: £2,000) to provide bonus award shares under the deferred bonus scheme. Since the period end a further 410,000 shares were allotted. The object of the allotment was to fund, in part, the additional working capital requirement and to widen the institutional shareholder base.

30 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AND MINORITY INTEREST

Group	Share Capital £'000	Share Premium Account £'000	Treasury Share Reserve £'000	Equity Compensation Reserve £'000	Foreign Exchange Reserve £'000	Other Reserves £'000	Retained Earnings £'000	Total Shareholders' Equity £'000	Minority Interest £'000	Total £'000
Balance at 3 September 2006	2,058	5,004	—	22	(230)	1,601	11,895	20,350	1,931	22,281
Total recognised income and expense for the period	—	—	—	—	(253)	—	8,134	7,881	120	8,001
Dividends paid	—	—	—	—	—	—	(1,486)	(1,486)	—	(1,486)
Equity settled share-based payment transactions, net of tax	—	—	—	73	—	—	—	73	11	84
Share options exercised by employees	4	20	—	—	—	—	—	24	—	24
Allotment of shares	2	49	—	—	—	—	—	51	—	51
Purchase of own shares held in trust	—	—	(101)	—	—	—	—	(101)	—	(101)
Transfer	—	—	—	—	—	(31)	31	—	—	—
Balance at 1 September 2007	2,064	5,073	(101)	95	(483)	1,570	18,574	26,792	2,062	28,854
Balance at 2 September 2007	2,064	5,073	(101)	95	(483)	1,570	18,574	26,792	2,062	28,854
Total recognised income and expense for the period	—	—	—	—	590	—	(1,107)	(517)	545	28
Dividends paid	—	—	—	—	—	—	(1,618)	(1,618)	—	(1,618)
Equity settled share-based payment transactions, net of tax	—	—	—	111	—	—	—	111	12	123
Share options exercised by employees	29	153	—	—	—	—	—	182	—	182
Allotment of shares	1	26	—	—	—	—	—	27	—	27
Transfer	—	—	—	—	—	(31)	31	—	—	—
Balance at 30 August 2008	**2,094**	**5,252**	**(101)**	**206**	**107**	**1,539**	**15,880**	**24,977**	**2,619**	**27,596**

The treasury share reserve includes the purchase of own shares in the Company, which are held in trust. These shares were acquired by the trust in the open market place and are to be held to meet the Group's obligations under the share based award schemes. However at the balance sheet date they have not yet been allocated to the various schemes.

The equity compensation reserve reflects the cumulative spreading, at the balance sheet date, of the fair value of the share option, share save and deferred bonus schemes over the vesting periods. The movement on the equity compensation reserve is taken through the income statement. As permitted under IFRS the fair value of share based awards granted prior to 7 November 2002 are not recognised in the financial statements.

The amount recognised in the Statement of Recognised Income and Expense in respect of foreign exchange translation differences arising on translation of overseas subsidiaries excludes £7,000 in respect of translation differences attributable to minority interest.

The Group has opted to use previous revaluations of property made under UK GAAP as deemed cost. On adoption of IFRS the revaluation reserve was reclassified to other reserves.

NOTES TO THE FINANCIAL STATEMENTS continued

30 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AND MINORITY INTEREST continued

Company	Share Capital £'000	Share Premium Account £'000	Equity Compensation Reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 3 September 2006	2,058	5,004	27	1,049	8,138
Total recognised income and expense for the period	—	—	—	7,717	7,717
Dividends paid	—	—	—	(1,486)	(1,486)
Equity settled share-based payment transactions, net of tax	—	—	85	—	85
Share options exercised by employees	4	20	—	—	24
Allotment of shares	2	49	—	—	51
Balance at 1 September 2007	2,064	5,073	112	7,280	14,529
Balance at 2 September 2007	2,064	5,073	112	7,280	14,529
Total recognised income and expense for the period	—	—	—	(4,733)	(4,733)
Dividends paid	—	—	—	(1,618)	(1,618)
Equity settled share-based payment transactions, net of tax	—	—	121	—	121
Share options exercised by employees	29	153	—	—	182
Allotment of shares	1	26	—	—	27
Balance at 30 August 2008	**2,094**	**5,252**	**233**	**929**	**8,508**

31 SHARE-BASED PAYMENTS

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

Group and Company
Option Schemes

Outstanding share options	**2008 Number**	2007 Number	Price p	Dates of Grant
Executive Scheme 1996	—	75,677	161	2002
Company Plan 1996	—	37,000	161	2002

During the period 112,677 (2007: 14,323) shares were issued under these share option schemes.

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

31 SHARE-BASED PAYMENTS continued

Group

During the period the Group entered into a deferred bonus scheme (Deferred Bonus Scheme 2007). As part of this deferred bonus scheme the eligible individuals invest a proportion of their bonus into shares. Matching shares may be awarded after a period of three years if certain performance criteria are met. Individuals in the scheme may receive a maximum of one matching share for every share that they bought subject to the Group's adjusted earnings per share over the period of three years ending 31 August 2010 equalling or exceeding the growth in the RPI over the same period by an average of 4% per annum. The award multiple will be reduced to 0.5 should the growth in adjusted earnings per share over the three years equal the growth in RPI by an average of 2% per annum. Should the Group's adjusted earnings per share fall between the two threshold levels, referred to above, the award multiple will be measured on a straight-line basis between 0.5 and 1.

In 2007 the Group entered into a deferred bonus scheme (Deferred Bonus Scheme 2006). As part of this deferred bonus scheme the eligible individuals invest a proportion of their bonus into shares. Matching shares may be awarded after a period of three years if certain performance criteria are met. Individuals in the scheme may receive a maximum of one matching share for every share that they bought subject to the Group's adjusted earnings per share over the period of three years ending 31 August 2009 equalling or exceeding the growth in the RPI over the same period by an average of 4% per annum. The award multiple will be reduced to 0.5 should the growth in adjusted earnings per share over the three years equal the growth in RPI by an average of 2% per annum. Should the Group's adjusted earnings per share fall between the two threshold levels, referred to above, the award multiple will be measured on a straight-line basis between 0.5 and 1.

In 2006 the Group entered into three schemes, an HM Revenue and Customs approved discretionary employee share option scheme, an unapproved discretionary share option scheme and a share save scheme.

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

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

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

	Deferred Bonus Scheme 2007	Deferred Bonus Scheme 2006	Approved and Unapproved Executive Share Option Scheme 2006	Share Save Scheme 2006 (3-Year Plan)	Share Save Scheme 2006 (5-Year Plan)
Grant date (approved)	6/12/07	7/2/07	24/2/06	1/6/06	1/6/06
Grant date (unapproved)	—	—	20/2/06	—	—
Share price at grant date (weighted average)	£5.44	£6.43	£4.78	£4.64	£4.64
Exercise price (weighted average)	£0.25	£0.25	£4.78	£4.79	£4.79
Number of employees	3	5	30	56	73
Shares under option (approved)	8,493	24,277	132,000	27,117	66,515
Shares under option (unapproved)	—	—	12,000	—	—
Vesting period (years)	2.83	2.67	3	3	5
Model used for valuation	Black Scholes	Black Scholes	Binomial	Black Scholes	Black Scholes
Expected volatility	22.00%	21.00%	22.44%	20.18%	21.37%
Option life (years)	2.92	2.75	10	3.5	5.5
Expected life (years)	2.83	2.67	6.5	3.25	5.25
Risk-free rate	4.420%	5.451%	4.224%	4.683%	4.623%
Expected dividends expressed as a dividend yield	3.30%	3.20%	3.36%	3.56%	3.56%
Expectations of vesting	100%	100%	100%	75%	75%
Expectations of meeting performance criteria	100%	100%	100%	N/A	N/A
Fair value per option	£4.74	£5.69	£0.99	£0.60	£0.78

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

NOTES TO THE FINANCIAL STATEMENTS continued

31 SHARE-BASED PAYMENTS continued

Deferred Bonus Scheme 2007

The number and weighted average exercise prices are as follows:

	2008 Weighted average exercise price £	2008 Number of options ('000)	2007 Weighted average exercise price £	2007 Number of options ('000)
Outstanding at the beginning of the period	—	—	—	—
Granted during the period	0.25	8	—	—
Exercised during the period	—	—	—	—
Lapsed during the period	—	—	—	—
Outstanding at the end of the period	0.25	8	—	—
Exercisable at the end of the period	—	—	—	—

At the period end the weighted average remaining contractual life of the options is 2.167 years (2007: nil) with a weighted average remaining expected life of 2.083 years (2007: nil).

Deferred Bonus Scheme 2006

The number and weighted average exercise prices are as follows:

	2008 Weighted average exercise price £	2008 Number of options ('000)	2007 Weighted average exercise price £	2007 Number of options ('000)
Outstanding at the beginning of the period	0.25	24	—	—
Granted during the period	—	—	0.25	24
Exercised during the period	—	—	—	—
Lapsed during the period	—	—	—	—
Outstanding at the end of the period	0.25	24	0.25	24
Exercisable at the end of the period	—	—	—	—

At the period end the weighted average remaining contractual life of the options is 1.167 years (2007: 2.167 years) with a weighted average remaining expected life of 1.083 years (2007: 2.083 years).

Approved and Unapproved Executive Share Option Scheme 2006

The number and weighted average exercise prices are as follows:

	2008 Weighted average exercise price £	2008 Number of options ('000)	2007 Weighted average exercise price £	2007 Number of options ('000)
Outstanding at the beginning of the period	4.78	141	4.78	144
Granted during the period	—	—	—	—
Exercised during the period	—	—	—	—
Lapsed during the period	—	—	4.76	(3)
Outstanding at the end of the period	4.78	141	4.78	141
Exercisable at the end of the period	—	—	—	—

At the period end the weighted average remaining contractual life of the options is 7.5 years (2007: 8.5 years) with a weighted average remaining expected life of 4 years (2007: 5 years).

31 SHARE-BASED PAYMENTS continued

Share Save Scheme 2006 - 3 Year Plan

The number and weighted average exercise prices are as follows:

	2008 Weighted average exercise price £	2008 Number of options ('000)	2007 Weighted average exercise price £	2007 Number of options ('000)
Outstanding at the beginning of the period	**4.79**	**24**	4.79	27
Granted during the period	**—**	**—**	—	—
Exercised during the period	**—**	**—**	—	—
Lapsed during the period	**4.79**	**(1)**	4.79	(3)
Outstanding at the end of the period	**4.79**	**23**	4.79	24
Exercisable at the end of the period	**—**	**—**	—	—

At the period end the weighted average remaining contractual life of the options is 1.25 years (2007: 2.25 years) with a weighted average remaining expected life of 1 year (2007: 2 years).

Share Save Scheme 2006 - 5 Year Plan

The number and weighted average exercise prices are as follows:

	2008 Weighted average exercise price £	2008 Number of options ('000)	2007 Weighted average exercise price £	2007 Number of options ('000)
Outstanding at the beginning of the period	**4.79**	**58**	4.79	67
Granted during the period	**—**	**—**	—	—
Exercised during the period	**—**	**—**	—	—
Lapsed during the period	**4.79**	**(1)**	4.79	(9)
Outstanding at the end of the period	**4.79**	**57**	4.79	58
Exercisable at the end of the period	**—**	**—**	—	—

At the period end the weighted average remaining contractual life of the options is 3.25 years (2007: 4.25 years) with a weighted average remaining expected life of 3 years (2007: 4 years).

NOTES TO THE FINANCIAL STATEMENTS continued

31 SHARE-BASED PAYMENTS continued

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

	2008 £'000	2007 £'000
Approved and Unapproved Executive Share Option Scheme 2006	**45**	42
Share Save Scheme 2006 - 3 Year Plan	**5**	4
Share Save Scheme 2006 - 5 Year Plan	**10**	8
Deferred Bonus Scheme 2006	**52**	30
Deferred Bonus Scheme 2007	**11**	—
	123	84

Company

During the period the Company entered into a deferred bonus scheme (Deferred Bonus Scheme 2007). As part of this deferred bonus scheme the eligible individuals invest a proportion of their bonus into shares. Matching shares may be awarded after a period of three years if certain performance criteria are met. Individuals in the scheme may receive a maximum of one matching share for every share that they bought subject to the Group's adjusted earnings per share over the period of three years ending 31 August 2010 equalling or exceeding the growth in the RPI over the same period by an average of 4% per annum. The award multiple will be reduced to 0.5 should the growth in adjusted earnings per share over the three years equal the growth in RPI by an average of 2% per annum. Should the Group's adjusted earnings per share fall between the two threshold levels, referred to above, the award multiple will be measured on a straight-line basis between 0.5 and 1.

In 2007 the Company entered into a deferred bonus scheme (Deferred Bonus Scheme 2006). As part of this deferred bonus scheme the eligible individuals invest a proportion of their bonus into shares. Matching shares may be awarded after a period of three years if certain performance criteria are met. Individuals in the scheme may receive a maximum of one matching share for every share that they bought subject to the Group's adjusted earnings per share over the period of three years ending 31 August 2009 equalling or exceeding the growth in the RPI over the same period by an average of 4% per annum. The award multiple will be reduced to 0.5 should the growth in adjusted earnings per share over the three years equal the growth in RPI by an average of 2% per annum. Should the Group's adjusted earnings per share fall between the two threshold levels, referred to above, the award multiple will be measured on a straight-line basis between 0.5 and 1.

In 2006 the company entered into two schemes, an HM Revenue and Customs unapproved discretionary employee share option scheme and a share save scheme.

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

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

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

	Deferred Bonus Scheme 2007	**Deferred Bonus Scheme 2006**	**Unapproved Executive Share Option Scheme 2006**	**Share Save Scheme 2006 (3-Year Plan)**	**Share Save Scheme 2006 (5-Year Plan)**
Grant date	6/12/07	7/2/07	20/2/06	1/6/06	1/6/06
Share price at grant date	£5.44	£6.43	£5.02	£4.64	£4.64
Exercise price	£0.25	£0.25	£5.02	£4.79	£4.79
Number of employees	2	2	2	6	1
Shares under option	6,765	14,743	12,000	6,133	1,344
Vesting period (years)	2.83	2.67	3	3	5
Model used for valuation	Black Scholes	Black Scholes	Binomial	Black Scholes	Black Scholes
Expected volatility	22.00%	21.00%	22.44%	20.18%	21.37%
Option life (years)	2.92	2.75	10	3.5	5.5
Expected life (years)	2.83	2.67	6.5	3.25	5.25
Risk-free rate	4.420%	5.451%	4.224%	4.683%	4.623%
Expected dividends expressed as a dividend yield	3.30%	3.20%	3.36%	3.56%	3.56%
Expectations of vesting	100%	100%	100%	75%	75%
Expectations of meeting performance criteria	100%	100%	100%	N/A	N/A
Fair value per option	£4.74	£5.69	£0.99	£0.60	£0.78

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

31 SHARE-BASED PAYMENTS continued

Deferred Bonus Scheme 2007

The number and weighted average exercise prices are as follows:

	2008 Weighted average exercise price £	2008 Number of options ('000)	2007 Weighted average exercise price £	2007 Number of options ('000)
Outstanding at the beginning of the period	**—**	**—**	—	—
Granted during the period	**0.25**	**7**	—	—
Exercised during the period	**—**	**—**	—	—
Lapsed during the period	**—**	**—**	—	—
Outstanding at the end of the period	**0.25**	**7**	—	—
Exercisable at the end of the period	**—**	**—**	—	—

At the period end the weighted average remaining contractual life of the options is 2.167 years (2007: nil) with a weighted average remaining expected life of 2.083 years (2007: nil).

Deferred Bonus Scheme 2006

The number and weighted average exercise prices are as follows:

	2008 Weighted average exercise price £	2008 Number of options ('000)	2007 Weighted average exercise price £	2007 Number of options ('000)
Outstanding at the beginning of the period	**0.25**	**15**	—	—
Granted during the period	**—**	**—**	0.25	15
Exercised during the period	**—**	**—**	—	—
Lapsed during the period	**—**	**—**	—	—
Outstanding at the end of the period	**0.25**	**15**	0.25	15
Exercisable at the end of the period	**—**	**—**	—	—

At the period end the weighted average remaining contractual life of the options is 1.167 years (2007: 2.167 years) with a weighted average remaining expected life of 1.083 years (2007: 2.083 years).

Unapproved Executive Share Option Scheme 2006

The number and weighted average exercise prices are as follows:

	2008 Weighted average exercise price £	2008 Number of options ('000)	2007 Weighted average exercise price £	2007 Number of options ('000)
Outstanding at the beginning of the period	**5.02**	**12**	5.02	12
Granted during the period	**—**	**—**	—	—
Exercised during the period	**—**	**—**	—	—
Lapsed during the period	**—**	**—**	—	—
Outstanding at the end of the period	**5.02**	**12**	5.02	12
Exercisable at the end of the period	**—**	**—**	—	—

At the period end the weighted average remaining contractual life of the options is 7.5 years (2007: 8.5 years) with a weighted average remaining expected life of 4 years (2007: 5 years).

NOTES TO THE FINANCIAL STATEMENTS continued

31 SHARE-BASED PAYMENTS continued

Share Save Scheme 2006 - 3 Year Plan

The number and weighted average exercise prices are as follows:

	2008 Weighted average exercise price £	2008 Number of options ('000)	2007 Weighted average exercise price £	2007 Number of options ('000)
Outstanding at the beginning of the period	**4.79**	**6**	4.79	6
Granted during the period	**—**	**—**	—	—
Exercised during the period	**—**	**—**	—	—
Lapsed during the period	**—**	**—**	—	—
Outstanding at the end of the period	**4.79**	**6**	4.79	6
Exercisable at the end of the period	**—**	**—**	—	—

At the period end the weighted average remaining contractual life of the options is 1.25 years (2007: 2.25 years) with a weighted average remaining expected life of 1 year (2007: 2 years).

Share Save Scheme 2006 - 5 Year Plan

The number and weighted average exercise prices are as follows:

	2008 Weighted average exercise price £	2008 Number of options ('000)	2007 Weighted average exercise price £	2007 Number of options ('000)
Outstanding at the beginning of the period	**4.79**	**1**	4.79	1
Granted during the period	**—**	**—**	—	—
Exercised during the period	**—**	**—**	—	—
Lapsed during the period	**—**	**—**	—	—
Outstanding at the end of the period	**4.79**	**1**	4.79	1
Exercisable at the end of the period	**—**	**—**	—	—

At the period end the weighted average remaining contractual life of the options is 3.25 years (2007: 4.25 years) with a weighted average remaining expected life of 3 years (2007: 4 years).

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

	2008 £'000	2007 £'000
Unapproved Executive Share Option Scheme 2006	**4**	4
Share Save Scheme 2006 - 3 Year Plan	**2**	2
Share Save Scheme 2006 - 5 Year Plan	**—**	—
Deferred Bonus Scheme 2006	**31**	18
Deferred Bonus Scheme 2007	**9**	—
	46	24

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

	2008 £'000	2007 £'000
Approved Executive Share Option Scheme 2006	**102**	61
Share Save Scheme 2006 - 3 Year Plan	**8**	4
Share Save Scheme 2006 - 5 Year Plan	**18**	9
Deferred Bonus Scheme 2006	**32**	12
Deferred Bonus Scheme 2007	**2**	—
Total carrying amount of investments	**162**	86

32 ACQUISITIONS

J M Raine Limited

On 7 July 2008, Carrs Billington Agriculture (Sales) Limited acquired the whole of the issued share capital of J M Raine Limited for a total cash consideration including costs of £455,000. The principal activity of J M Raine Limited is the sale, hire and repair of agricultural and horticultural equipment.

On the same date the trade and net assets of J M Raine Limited were hived up into Carrs Billington Agriculture (Sales) Limited. Since that date J M Raine Limited has been dormant.

The directors consider the fair value of assets and liabilities of the acquired company to approximate to book value.

This purchase has been accounted for as an acquisition.

The profit after taxation for the year ended 30 June 2007 was £16,000.

The loss after taxation for J M Raine Limited for the period from 1 July 2007, the beginning of their financial year, to the date of the acquisition was £18,000.

Revenue and loss before taxation for the period from acquisition to 30 August 2008 was £147,000 and £25,000 respectively.

J M Raine Limited has no recognised gains and losses other than the profit for the financial period shown above.

The assets and liabilities of J M Raine Limited acquired are set out below:

	Book Value £'000	**Fair value £'000**
Non-current assets:		
Property, plant and equipment	356	356
Current assets:		
Cash and cash equivalents	11	11
Other current assets	313	313
Current liabilities	(337)	(337)
Non-current liabilities	(253)	(253)
Net assets acquired	90	90
Goodwill		365
Total consideration		455
Satisfied by:		
Cash		340
Acquisition expenses		15
Deferred consideration		100
		455

Included within current liabilities is an overdraft of £184,000.

As a condition of the purchase agreement the vendor was to recompense Carrs Billington Agriculture (Sales) Limited for every £1 that the net assets acquired fell below £150,000. This compensation of £60,000 is held within other payables at the period end. Cash consideration in the above table is shown net of this £60,000.

Goodwill represents the expansion of the existing agricultural and ground care machinery business.

Pro forma information

IFRS3 requires disclosure of information as to the impact on the financial statements if the acquisition had occurred at the beginning of the accounting period. Following the acquisition of J M Raine Limited the trade and net assets were hived up into Carrs Billington Agriculture (Sales) Limited on 7 July 2008 and were amalgamated with the trade and net assets of the agriculture business. As a result of this it is impracticable to distinguish the necessary information to make the disclosure.

For this same reason it is also impracticable to determine the cash flows generated by the acquisition in the period since acquisition to the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS continued

33 CASH GENERATED FROM/(USED IN) OPERATIONS

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Profit for the period	**8,253**	4,301	**3,216**	4,742
Adjustments for:				
Tax	**4,605**	1,225	**(183)**	180
Dividends received from subsidiaries	**—**	—	**(3,340)**	(4,250)
Depreciation on property, plant and equipment	**3,318**	3,507	**—**	—
(Profit)/loss on disposal of property, plant and equipment	**(43)**	18	**—**	—
Depreciation on investment property	**19**	19	**—**	—
Profit on disposal of investment property	**—**	(77)	**—**	—
Loss on disposal of investments	**—**	3	**—**	—
Intangible asset amortisation	**159**	446	**—**	—
Impairment of trade investment	**200**	—	**200**	—
Net fair value gains on derivative financial instruments in operating profit	**(915)**	(17)	**(31)**	(4)
Net fair value loss on share based payments	**123**	84	**46**	24
Net foreign exchange differences	**363**	3	**358**	(143)
Finance costs:				
Interest income	**(454)**	(392)	**(580)**	(553)
Interest expense and borrowing costs	**2,034**	1,491	**767**	666
Net fair value losses/(gains) on derivative financial instruments	**35**	(95)	**14**	(80)
Share of profit from associate and joint ventures	**(1,590)**	(738)	**—**	—
IAS19 income statement credit in respect of employer contributions (note 28)	**(2,517)**	(2,586)	**(2,517)**	(2,586)
IAS19 income statement charge (note 28)	**1,060**	1,167	**1,060**	1,167
Actuarial provisions in respect of deferred pension members	**(1,325)**	—	**(1,325)**	—
Payment to director in lieu of pension	**(1,532)**	—	**(1,532)**	—
Changes in working capital (excluding the effects of acquisitions)				
Increase in inventories	**(15,959)**	(2,738)	**—**	—
(Increase)/decrease in receivables	**(15,140)**	(321)	**(150)**	132
Increase/(decrease) in payables	**24,539**	1,606	**1,242**	(26)
Cash generated from/(used in) continuing operations	**5,233**	6,906	**(2,755)**	(731)

34 ANALYSIS OF NET DEBT

Group	At 2 September 2007 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	**At 30 August 2008 £'000**
Cash and cash equivalents	1,315	2,581	—	—	**3,896**
Bank overdrafts	(1,913)	(2,217)	—	300	**(3,830)**
	(598)	364	—	300	**66**
Loans and other borrowings:					
- current	(8,051)	(2,109)	(261)	—	**(10,421)**
- non-current	(5,147)	(248)	(13)	—	**(5,408)**
Finance leases:					
- current	(753)	912	(912)	—	**(753)**
- non-current	(824)	—	(93)	—	**(917)**
	(15,373)	(1,081)	(1,279)	300	**(17,433)**

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

Company	At 2 September 2007 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	**At 30 August 2008 £'000**
Cash and cash equivalents	1,141	(1,141)	—	—	**—**
Bank overdrafts	—	(198)	—	78	**(120)**
	1,141	(1,339)	—	78	**(120)**
Loans and other borrowings:					
- current	(3,379)	(1,518)	(2)	(470)	**(5,369)**
- non-current	(5,117)	(248)	(6)	—	**(5,371)**
	(7,355)	(3,105)	(8)	(392)	**(10,860)**

Other non-cash changes relate to the release of deferred borrowing costs to the income statement.

35 CAPITAL COMMITMENTS

Group	**2008 £'000**	2007 £'000
Capital expenditure on property, plant and equipment that has been contracted for but has not been provided for in the accounts	**474**	45

The Company has no capital commitments.

36 OTHER FINANCIAL COMMITMENTS

Group

At 30 August 2008 the Group had commitments, other than land and buildings, under non-cancellable operating leases as follows:

	2008 £'000	2007 £'000
Within one year	**354**	435
Within two and five years inclusive	**545**	800
After five years	**16**	26
	915	1,261

Company

At 30 August 2008 the Company had commitments, other than land and buildings, under non-cancellable operating leases as follows:

	2008 £'000	2007 £'000
Within one year	**1**	1
Within two and five years inclusive	**4**	4
After five years	**—**	1
	5	6

37 FINANCIAL GUARANTEES

The Company, together with certain subsidiary undertakings, has entered into a guarantee with Clydesdale Bank PLC in respect of the Group loans and overdraft with that bank, which at 30 August 2008 amounted to £2,179,000 (2007: £2,822,000).

The Company, together with certain subsidiary undertakings, has a €875,000 (2007: €1,125,000) letter of credit by Clydesdale Bank PLC in favour of Crystalyx Products GmbH, a joint venture arrangement.

The Company, together with certain subsidiary undertakings, has entered into a guarantee with Royal Bank of Scotland PLC in respect of the overdraft with that bank, which at 30 August 2008 amounted to £978,000 (2007: £151,000).

One of the Group's bankers in the normal course of business, enters into certain specific guarantees with some of a subsidiary's customers. All these guarantees allow the bank to have recourse to the Company if a guarantee is enforced. The total outstanding of such guarantees entered into by the bank at 30 August 2008 was £2,185,000 (2007: £1,378,000).

A subsidiary undertaking of the Company, together with an associated undertaking of the Company, has entered into a guarantee with Royal Bank of Scotland PLC in respect of a loan with that bank. The Group's exposure to this liability at 30 August 2008 amounts to £1,000,000 (2007: £1,500,000).

The Company has entered into a guarantee with the Trustees of the Carrs Billington Agriculture Pension Scheme in respect of the punctual payment of obligations due to the pension scheme by the participating employers of the scheme. The Company's total liability shall not exceed £1,500,000 (2007: £nil).

The Company has provided guarantees to certain suppliers of the Group's Fertiliser business. The maximum exposure under these guarantees is the amount owed at any one time to these suppliers. At the period end amounts owed under these guarantees was £12,708,645 (2007: £3,388,584). This is included within trade payables in the balance sheet.

The Group and Company does not expect any of the above guarantees to be called in.

NOTES TO THE FINANCIAL STATEMENTS continued

38 RELATED PARTIES

Group and Company

Identity of related parties

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

Transactions with key management personnel

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

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Balances reported in the Balance Sheet				
Amounts due from key management personnel (in a trading capacity)				
Trade receivables	**141**	115	**—**	—
	141	115	**—**	—
Transactions reported in the Income Statement:				
Revenue	**577**	470	**—**	—
Purchases	**(11)**	(4)	**—**	—

Transactions with subsidiaries

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Balances reported in the Balance Sheet				
Amounts due from subsidiary undertakings:				
Loans	**—**	—	**16,230**	13,618
Other receivables	**—**	—	**154**	296
	—	—	**16,384**	13,914
Amounts due to subsidiary undertakings:				
Loans	**—**	—	**(4,378)**	(2,886)
Other payables	**—**	—	**(48)**	(219)
	—	—	**(4,426)**	3,105
Transactions reported in the Income Statement				
Management charges receivable	**—**	—	**2,122**	1,336
Dividends received	**—**	—	**3,340**	4,250
Interest receivable	**—**	—	**453**	448
Interest payable	**—**	—	**(256)**	(223)

Transactions with associate

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Balances reported in the Balance Sheet				
Amounts due from associate:				
Trade and other receivables	**91**	168	**—**	7
	91	168	**—**	7
Amounts due to associate:				
Trade payables	**(9,336)**	(5,399)	**—**	—
Current tax liabilities (consortium relief)	**(262)**	—	**—**	—
	(9,598)	(5,399)	**—**	—

38 RELATED PARTIES continued

Transactions with associate continued

Transactions reported in the Income Statement

	Group		Company	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
Revenue	**1,466**	1,218	**—**	—
Rental income	**18**	17	**—**	—
Net management charges receivable/(payable)	**14**	(130)	**14**	14
Purchases	**(81,611)**	(60,963)	**—**	—

Transactions with joint ventures

	Group		Company	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
Balances reported in the Balance Sheet				
Amounts due from joint ventures:				
Non-current loans	**50**	100	**—**	—
Trade and other receivables	**393**	406	**374**	373
	443	506	**374**	373

Included within Group and Company trade and other receivables is £370,000 (2007: £370,000) in respect of loans owed by joint ventures.

	Group		Company	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
Transactions reported in the Income Statement				
Revenue	**272**	99	**—**	—
Management charges receivable	**55**	53	**—**	—

Transactions with other related parties

Other loans of £1,225,000 (2007: £1,225,000) included within current borrowings is in respect of a loan from Edward Billington and Son Limited to Carrs Billington Agriculture (Sales) Limited. This loan is interest free, unsecured, and repayable on demand. Included within current tax liabilities is £77,000 (2007: £77,000) due to Edward Billington and Son Limited in respect of consortium tax relief. Edward Billington and Son Limited has a 49% shareholding in Carrs Billington Agriculture (Sales) Limited.

FIVE YEAR STATEMENT

	UK GAAP (in IFRS format)		IFRS		
	2004	2005	2006	2007	**2008**
Revenue and results	£'000	£'000	£'000	£'000	**£'000**
Revenue	155,749	192,124	242,576	252,753	**372,307**
Group operating profit	5,036	12,264	7,116	5,785	**12,875**
Analysed as:					
Operating profit before non-recurring items and amortisation	5,036	7,975	7,987	6,192	**12,814**
Non-recurring items and amortisation	—	4,289	(871)	(407)	**61**
Group operating profit	5,036	12,264	7,116	5,785	**12,875**
Interest income	116	93	378	392	**454**
Interest expense	(691)	(1,185)	(1,532)	(1,484)	**(2,026)**
Other finance (costs)/income	—	(106)	143	95	**(35)**
Share of post-tax profit/(loss) in associate and joint ventures	531	(697)	218	738	**1,590**
Profit before taxation	4,992	10,369	6,323	5,526	**12,858**
Taxation	(1,498)	(2,557)	(1,989)	(1,225)	**(4,605)**
Profit for the period	3,494	7,812	4,334	4,301	**8,253**
Ratios					
Operating margin (excluding non-recurring items and amortisation)	3.2%	4.2%	3.3%	2.4%	**3.4%**
Return on net assets (excluding non-recurring items and amortisation)	19.7%	27.8%	32.9%	21.0%	**46.4%**
Earnings per share - basic	39.9p	92.1p	51.0p	50.7p	**92.7p**
- adjusted	39.9p	50.9p	59.7p	56.0p	**108.6p**
Dividends per ordinary share	13.5p	16.0p	18.0p	19.0p	**23.0p**

FIVE YEAR STATEMENT continued

Net assets employed	UK GAAP (in IFRS format) 2004 £'000	2005 £'000	IFRS 2006 £'000	2007 £'000	**2008 £'000**
Non-current assets					
Goodwill	40	400	235	1,016	**1,381**
Other intangible assets	144	1,738	802	444	**294**
Property, plant and equipment	20,474	28,838	29,172	28,481	**28,596**
Investment property	—	822	794	756	**737**
Investments	3,470	872	1,940	3,642	**4,530**
Financial assets					
- Derivative financial instruments	—	—	37	132	**—**
- Non-current receivables	5	223	208	100	**50**
Deferred tax assets	170	3,962	5,162	3,228	**5,318**
	24,303	36,855	38,350	37,799	**40,906**
Current assets					
Inventories	10,387	12,947	11,944	14,853	**31,014**
Trade and other receivables	19,686	35,197	33,546	35,481	**50,754**
Current tax assets	82	87	1	82	**65**
Financial assets					
- Derivative financial instruments	—	—	—	—	**927**
- Cash at bank and in hand	1,091	3,149	2,292	1,315	**3,896**
	31,246	51,380	47,783	51,731	**86,656**
Total assets	55,549	88,235	86,133	89,530	**127,562**
Current liabilities					
Financial liabilities					
- Borrowings	(4,013)	(10,666)	(9,682)	(10,717)	**(15,004)**
- Derivative financial instruments	—	—	(27)	(10)	**(22)**
Trade and other payables	(20,308)	(29,318)	(25,387)	(28,478)	**(52,977)**
Current tax liabilities	(944)	(1,581)	(1,324)	(570)	**(2,054)**
	(25,265)	(41,565)	(36,420)	(39,775)	**(70,057)**
Non-current liabilities					
Financial liabilities					
- Borrowings	(2,836)	(7,399)	(6,512)	(5,971)	**(6,325)**
- Derivative financial instruments	—	(106)	—	—	**(14)**
Retirement benefit obligation	—	(12,119)	(15,796)	(9,807)	**(16,558)**
Deferred tax liabilities	(951)	(3,854)	(3,600)	(3,418)	**(4,775)**
Other non-current liabilities	(1,187)	(1,287)	(1,524)	(1,705)	**(2,237)**
	(4,974)	(24,765)	(27,432)	(20,901)	**(29,909)**
Total liabilities	(30,239)	(66,330)	(63,852)	(60,676)	**(99,966)**
Net assets	25,310	21,905	22,281	28,854	**27,596**

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NOTES

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