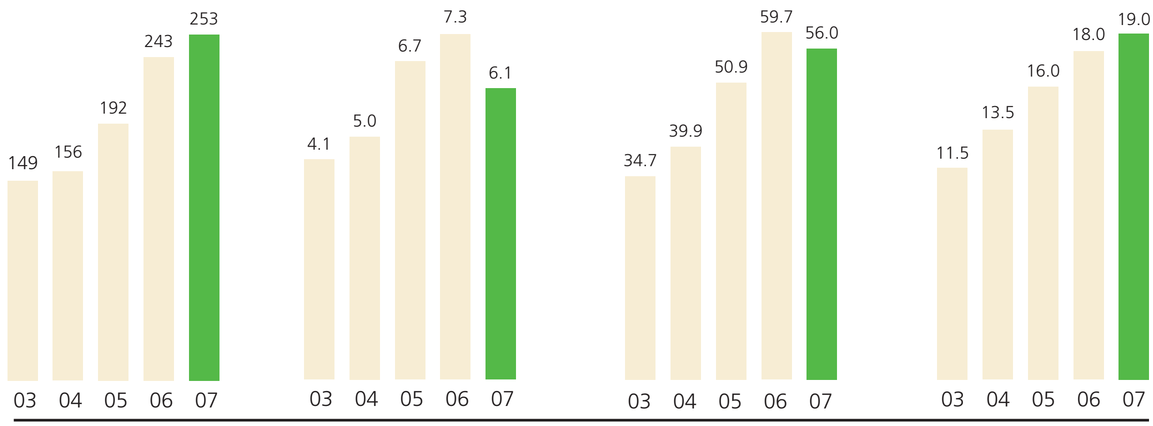
Carr's Milling Industries PLC
Annual Report & Accounts 2007

Financial Highlights



Revenue £m

Profit before tax* £m

Earnings per share* (p)

Dividends (p)

Statutory numbers are given in the Chairman's Statement and reconciliations are given in the Notes to the Financial Statements
2003 - 2004 prepared under UKGAAP and 2005 - 2007 under IFRS

* excludes non-recurring items and amortisation of intangible assets

Revenue up 4% to £252.8m

Profit before tax down 13% at £5.5m

Basic earnings per share down 1% at 50.7p

Dividend up 6% to 19.0p per share

Shareholders' equity up 32% to £26.8m

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

£252.8m

Chairman's Statement

I am pleased to announce results for the 52 week period to 1 September 2007 which are creditable in the context of challenging market conditions, particularly in the important areas of flour and UK animal feed.

Adjusted pre-tax profit is lower than the prior period, as expected, but it is slightly higher than anticipated in February. The Group's pre-tax profit would have improved but for the impact of increased wheat prices on the Food Division.

During the period, the average price of wheat increased by approximately 80%. This price increase impacted the Group's flour milling business and, to a lesser extent, its animal feed business, as it was unable to pass on increases in raw material costs, fully and immediately, to its customers. In addition, throughout the period, the farm gate milk price received by the Group's customers was no more than 18p per litre, which compares with 24p per litre ten years ago, an uneconomically low level.

Happily, market conditions have improved for both Food and Agriculture since the period end. Food is benefiting from the price increases in August and November for flour, together compensating for much of the increased raw material costs, and Agriculture is benefiting from its dairy farming customers being notified of an increase in the farm gate milk price to c. 27p per litre.

In January, our fuels distribution business was enlarged with the acquisition of Johnstone Fuels and Lubricants based in southwest Scotland. This business is now successfully merged with Wallace Oils, our fuels business in Cumbria and southwest Scotland.

Financial Overview

Revenue in the 52 week period to 1 September 2007 increased by 4.2% to £252.8m (2006: £242.6m). The pre-tax profit was £5.5m (2006: £6.3m) and basic earnings per share, benefiting from an unusually low effective tax rate of 22.2% (2006: 31.5%), were 50.7p (2006: 51.0p).

Adjusted to disregard non-recurring items and the amortisation of intangible assets, pre-tax profit decreased by 17.1% to £6.1m (2006: £7.3m) and adjusted basic earnings per share were 6.2% lower at 56.0p (2006: 59.7p).

Total shareholders' equity increased by 31.7% to £26.8m (2006: £20.4m), reflecting the profit for the period and the decrease in net retirement benefit obligations as a result of favourable investment performance, higher bond yields and additional contributions.

Net debt increased to £15.4m (2006: £13.9m) but gearing reduced to 57.4% (2006: 68.3%). Net finance costs of £1.0m (2006: £1.0m) were covered a substantial 6.2 times (2006: 7.9 times) by adjusted Group operating profit.

Dividends

The Board is proposing an increase in the final dividend per share of 8.0% to 13.5p (2006: 12.5p). If approved by shareholders at the AGM to be held on 8 January 2008, the dividend will be paid on 17 January 2008 to shareholders on the register at the close of business on 14 December 2007, with the shares going ex-dividend on 12 December 2007.

Together with the unchanged interim dividend per share of 5.5p paid on 31 May 2007, the proposed dividends per share for the period total 19.0p (2006: 18.0p), up 5.6%, covered 2.9 times (2006: 3.3 times) by adjusted earnings per share. This is the sixth successive annual increase in dividends per share and those proposed for the year are double the 9.5p paid five years ago, in 2002.

Employees

Once again, our employees have risen to the task of meeting both the challenges and opportunities in what has not been an easy period. Their hard work and commitment to the group is greatly appreciated, and on behalf of the Board, I would like to thank them for their contribution.

Outlook

Agriculture will benefit appreciably from improved customer confidence following the recent increase in the farm gate milk price. The flour price increases in August and November should together enable the Food Division to return to more acceptable levels of profitability. In Engineering, Bendalls and Carrs MSM have strong order books. Overall, therefore, conditions are favourable for resumption in the upward trend in the Group's results.

Richard Inglewood
Chairman
26 November 2007

"Happily, market conditions have improved for both Food and Agriculture since the period end. Food is benefiting from the price increases in August and November for flour, together compensating for much of the increased raw material costs, and Agriculture is benefiting from its dairy farming customers being notified of an increase in the farm gate milk price to c. 27p per litre."

Chief Executive's Review

Whilst disappointed not to be able to deliver a 9th successive period of growth in adjusted earnings per share, the Board believes that, overall, conditions are favourable for a resumption in the upward trend in the Group's results.

The increase in bread and milk prices achieved by the Group's customers is helping to improve returns in our food and agricultural businesses. Our animal feed market share increased and our new products are showing good progress. We are constantly monitoring our costs and looking to improve our operating performance. We are committed to increasing shareholder value by growing our core businesses and developing opportunities in new markets. Trading in the new financial year has started well and is in line with our expectations.

BUSINESS REVIEW

AGRICULTURE

The Group's Agriculture business comprises, in the UK (primarily in the North West of England and Scotland), four related activities – animal feed manufacture, fertiliser blending, retailing of farm machinery and supplies, and fuel distribution – and, in the USA and Germany, animal feed manufacture.

Operating profit (before retirement benefit charge) of £5.1m (2006: £5.0m) was achieved on revenue up 6.6% at £185.9m (2006: £174.5m).

United Kingdom

Agriculture achieved both profit and revenue gains against a challenging marketplace. The persistence of low farm gate milk prices and higher energy costs, together with higher raw material feed and fertiliser costs, had a negative effect on results.

Compound feed did well in both market share and profitability. Sales benefited from the marketing of new products, notably AminoMax, an innovative by-pass protein feed ingredient to enhance animal health and milk yield. The restructuring and integration into Carrs Billington Agriculture of Pye Bibby Agriculture, which was acquired in July 2005, was completed in September 2006.

Crystalyx low-moisture feed blocks, increased sales in all areas, apart from sheep brands, because of the mild winter, which reduced the demand for supplementary feeding.

Fertiliser, performed well, after a slow start. The increased cost of fertiliser to the farmer, caused by higher energy costs and increased worldwide demand, as a result of the expanded acreage of bio-fuel crops, resulted in a slight decrease in sales volumes.

Carr's Agricultural Retailing and Carr's Machinery increased both revenue and profit from its 14 branches across the north of England and in Scotland.

Crystalyx low moisture feed blocks


HORS LYX
HORS LYX

Chief Executive's Review continued

Johnstone Fuels & Lubricants was acquired in January and merged with Wallace Oils. The Group intends to grow its business in this activity, should suitable opportunities present themselves.

Bibby Agriculture performed exceptionally well, gaining market share.

Overseas

In the US, Animal Feed Supplement, which produces Smartlic and Feed in a Drum low-moisture animal feed blocks, increased its volumes. Its profit was little changed in local currency terms, but suffered from the 10% weakening in the average $/£ exchange rate during the period.

In Germany, Crystalyx Products, the joint venture in conjunction with Agravis, achieved revenues ahead of expectations, in Germany and Eastern Europe. Crystalyx is manufactured at a plant at Oldenburg, north-west Germany.

FOOD

In a more difficult market for flour, operating profit (before retirement benefit charge) more than halved to £1.1m (2006: £2.5m) on revenue up 2.4% to £57.0m (2006: £55.7m).

Carr's principal food businesses are all flour millers – Carr's Flour Mills at Silloth (Cumbria), Hutchisons at Kirkcaldy (Fife) and Greens at Maldon (Essex)

Wheat prices rose steadily during the period, culminating in a sudden, very sharp increase in the summer of 2007 as the markets responded to intensifying concerns about global supply and demand. The divisional profit decrease reflected delays in passing on the full impact of these raw material price increases in a competitive market place. However, further significant savings in production and distribution costs were made during the period.

Sales volumes were also down, mainly as a result of the short-term loss of a major customer.

ENGINEERING

Operating profit (before retirement benefit charge) totalled £1.0m (2006: £1.1m) on revenue of £9.6m (2006: £12.2m). The revenue decrease substantially reflects the inclusion in 2006 of a large contract, with a high material content, for the supply of oil pressure vessels to the Azerbaijan pipeline.

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

Bendalls completed three large storage tanks and an automated flask-handling facility for Sellafield Limited's nuclear decommissioning programme in Cumbria. Bendalls was also active in the renewable energy market and delivered the top structure for the world's first large-scale commercial tidal turbine for Marine Current Turbines Limited's Strangford Lough project in Northern Ireland, scheduled for installation in early 2008. In addition, Bendalls was successful in winning some substantial orders for conversion plants in Chile and Peru, for the fast-growing liquefied natural gas market, and for the supply of process equipment for low-sulphur fuel plants in the UK, which are being built to meet new EU emission legislation.

Of the smaller businesses, Carrs MSM traded well and has entered the current period with a strong order book, whilst R Hind traded satisfactorily.

STAFF

Although we did not achieve our ninth year of successive profit growth it was not without trying. The difficulties faced by the Food Division could have resulted in a much worse profit figure had it not been for the action of all involved in this division.

My thanks go to all my colleagues in the UK, Europe and the USA for a very creditable result given the circumstances faced during the period.

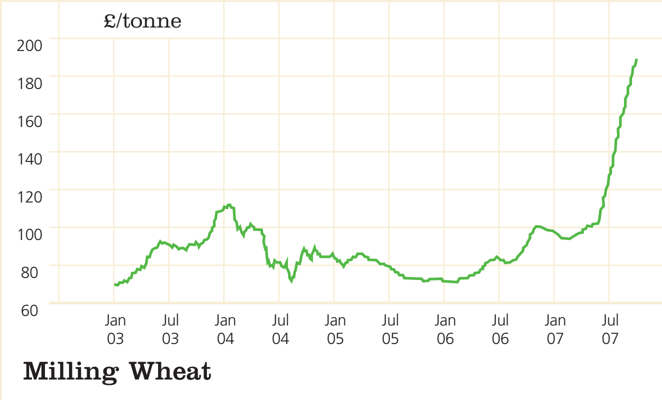
PROSPECTS

Arable and dairy farmers are experiencing a much healthier situation with prices for grain and milk being at levels that will encourage investment. The same cannot unfortunately be said for the livestock farmer who is facing large input costs but receiving lower returns for the animals being sold.

The continued escalation of the wheat price into this period, combined with rapidly increasing fuel prices, will continue to present challenges for both the Food and Agriculture Divisions.

The increasing work on nuclear decommissioning at Sellafield continues to present opportunities for the Engineering Division.

Chris Holmes
Chief Executive Officer
26 November 2007



"Wheat prices rose steadily during the period, culminating in a sudden, very sharp increase in the summer of 2007 as the markets responded to intensifying concerns about global supply and demand."

Operating and Financial Review

The Group's business

The Group's operations are organised into three business divisions, agriculture, food and engineering, and the performance of these three divisions in the period is discussed in the Chief Executive's Review on pages 4 to 7.

The agriculture business operates predominately in the North of England, Wales and Scotland, in addition there are two animal feed plants in the US and a plant in Germany. The flour and the engineering business operate entirely within the UK although a proportion of sales from the engineering business are export.

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

Business objectives

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

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

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

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

Business strategies

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

Performance against KPIs	2007	2006
Organic sales growth	-1.1%	5.3%
Gross return on sales	13.5%	14.8%
Net return on sales	2.5%	3.3%
Adjusted earnings per share	56.0p	59.7p
Return on net assets	21.0%	32.9%
Free cash flow	£3.8m	£7.2m

FINANCIAL REVIEW

Overview

Group revenue from activities during the period was £252.8 million (2006: £242.6 million). Profit before taxation and before non-recurring items and amortisation of intangible assets decreased to £6.1 million (2006: £7.3 million). Non-recurring items and amortisation are disclosed in Note 6 to the financial statements.

The entire issued share capital of Johnstone Fuels and Lubricants Limited was acquired on 8 January 2007 and the results from that date to 1 September 2007 are included in the Group's results.

The three joint venture companies, Bibby Agriculture Limited, Afgritech Limited and Crystalyx Products GmbH traded for the full period whereas in the period ended 2 September 2006 they traded for 11 months, 9 months and 8 months respectively.

Net finance costs were £1.0 million (2006: £1.0 million) and were covered 6.2 times (2006: 7.9 times) by adjusted Group operating profits.

Taxation

The Group's effective tax charge on profit from activities after net finance costs was 22.2% (2006: 31.5%). A reconciliation of the actual total tax charge to the standard rate of corporation tax in the UK of 30% is set out in note 9 to the financial statements.

Earnings per share

The profit attributable to the equity holders of the Company amounted to £4.2 million (2006: £4.2 million), and basic earnings per share was 50.7p (2006: 51.0p). Adjusted earnings per share of 56.0p (2006: 59.7p) is calculated by dividing the profit attributable 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.

Operating and Financial Review continued

Balance sheet review

We have continued to invest in the business with total capital expenditure in the period of £2.8 million, making our total capital expenditure in the last 3 years £12.9 million. In the current period we have continued to invest in production facilities with £0.9 million spent on our flour mills and a further £1.9 million spent on other businesses.

Intangible assets increased in January 2007 as a result of the acquisition of Johnstone Fuels and Lubricants Limited and in 2007 £0.1 million was amortised.

Inventories have increased by 24.4% from £11.9 million, mainly due to the higher wheat costs in our flour and agricultural feed businesses.

Despite the higher selling prices and sales volumes similar to last year trade and other receivables have only marginally increased by £1.9 million to £35.5 million. Farmer concerns arising from the foot and mouth disease, identified in South England, had an adverse affect on our agricultural trade receivables.

Trade and other payables have increased by £3.1 million principally due to the higher raw material costs and the late receipt in August of new materials for our fertiliser blending business.

Cash flow and net debt

The increase in contributions to meet the pension scheme obligation and also the higher working capital decreased the Group's operational cash generation to £6.9 million (2006: £11.1 million).

Net debt at the period end was £15.4 million (2006: £13.9 million) with gearing at 57.4% (2006: 68.3%). 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 113 active members, 149 deferred members and 153 current pensioners. The scheme received funding from the Group of £2.0 million; this is an annual contribution designed to eliminate the deficit in ten years as agreed between the trustees and the company.

The valuation under IAS19 accounting basis showed a deficit before related deferred tax asset in the scheme at 1 September 2007 of £9.8 million (2006: £15.8 million). The movement in the current period arose principally as a result of improved returns on investments, the increase in bond yields and the additional contributions from the company.

A Group subsidiary undertaking is a participating employer in a defined benefit pension scheme of the Group's associate, Carrs Billington Agriculture (Operations) Limited. The IAS19 accounting basis showed a total deficit, for that scheme, before related tax asset at 1 September 2007 of £1.7 million (2006: £5.7 million). The Group recognises through its subsidiary undertaking approximately 50% of the scheme deficit and related deferred tax asset in its investment in associate. The details of both pension schemes are given on note 28 to the financial statements.

Treasury Policy

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

The main elements of treasury activity are outlined below.

Foreign currency risk

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

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

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

Interest rate risk

The Board set the policy on interest rate risk and this was reviewed at the time of the Meneba UK acquisition, in November 2004, when borrowings increased significantly. The policy is to cover approximately 50% of the risk and was implemented by taking out interest cap and rate swap agreements with a UK bank. The Board recognised the high LIBOR interest rate in August/September 2007 and agreed to take advantage of this and surrendered the interest rate cap in September. The policy will be reviewed from time to time as circumstances change. The monitoring of the interest rate risk is managed at head office based on cash flow projections.

Credit risk

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

Funding

The Group has historically been cash generative. The bank position for each operation is monitored on a daily basis and capital expenditure above a certain level is approved at the monthly Group board meeting.
Each operation has access to the Group's overdraft facility or has facilities specific to that operation and all term debt is arranged centrally. The current bank facilities available to the Group are a term loan of £1.1 million repayable in October 2009, a revolving credit facility of £4.5 million and overdraft facilities of £10.8 million. Unutilised facilities at 1 September 2007 were £11.7 million (2006: £10.9 million).

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

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

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

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

Principal risks and uncertainties
Each year the Group carries out a formal exercise to identify and assess the impact of risks on its business and this year the exercise was carried out in August 2007. 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
26 November 2007

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

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Old Croft, Stanwix
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Registered No. 98221

Independent Auditors
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Newcastle upon Tyne NE1 8HW

Bankers
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82 English Street
Carlisle CA3 8HP

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

Financial Adviser and Broker
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London EC2V 7QP

Solicitors
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Halliwells
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Atkinson Ritson
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Capita Registrars
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Fenay Bridge
Huddersfield HD8 0LA

Directors' Report

The Directors submit their report and the audited accounts of the Company and Group for the period ended 1 September 2007.

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 7 and in the Group Operating and Financial Review on pages 8 to 11.

RESULTS AND DIVIDENDS
The profit on ordinary activities before taxation was £5.5 million (2006: £6.3 million). After the taxation charge of £1.2 million (2006: £2.0 million), the profit for the period is £4.3 million (2006: £4.3 million). An interim dividend of 5.5p per ordinary share was paid on 31 May 2007. The Directors recommend the payment of a final dividend for the period, which is not reflected in these accounts, of 13.5p per ordinary share which, together with the interim dividend, represents 19.0p per ordinary share, totalling £1.6 million (2006: 18.0p per ordinary share, totalling £1.5 million).

Subject to approval at the Annual General Meeting, the final dividend will be paid on 17 January 2008 to members on the register at the close of business on 14 December 2007. Shares will be ex-dividend on 12 December 2007.

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

ACQUISITIONS
On 8 January 2007 Carrs Billington Agriculture (Sales) Limited, the Group's 51% owned subsidiary company, acquired the entire issued share capital of Johnstone Fuels and Lubricants Limited, an oil and lubricants distribution business based in southwest Scotland, for a cash consideration of £1.8 million including acquisition costs.

On 1 July 2007 Carrs Agriculture Limited, the Group's 100% owned subsidiary company, acquired 50% of the issued share capital of Silloth Storage Company Limited, a raw material storage and distribution company based at the port at Silloth, Cumbria, for a nominal sum.

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 improvement in equity markets, the increase in bond yields together with higher Company contributions have reduced the deficit. The Group continually reviews this risk and takes action to mitigate the risk 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 12. Each of the current Directors served for the whole of the period under review. R C Wood and A G M Wannop 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 (56) 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 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 (62) is an executive director of Heygate & Sons Limited, the UK's largest independent flour miller, which is also engaged in animal feed compounding and other agricultural activities.

Mr A G M Wannop (45) 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 (56) was appointed to the Board in January 1992 and as Chief Executive Officer in September 1994. Previously he held senior management positions in the agricultural division of J Bibby & Sons.

Mr R C Wood (60) 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 non-executive director of Cumbria Partnership NHS Trust. All fees receivable by Mr R C Wood in this role are paid to the Company.

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

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

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.

Directors' Report continued

POLITICAL AND CHARITABLE DONATIONS
During the period ended 1 September 2007 the Group made the following contributions:
- charitable (being specifically health, educational and community) purposes £11,219 (2006: £11,346)
- the Group made no political contributions during the period (2006: 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 period-end trade payables figure and a 364 day year, is 44 days (2006: 42 days). The Company has no outstanding trade payables at the end of either financial period.

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

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 19 to 22), are as follows:

	on 1 September 2007 Ordinary Shares	on 2 September 2006 Ordinary Shares
C N C Holmes	**53,284**	47,990
A R Heygate	**37,225**	37,225
R C Wood	**29,140**	25,090
W R Inglewood	**4,410**	3,510
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 1 September 2007 to 16 November 2007.

On 15 February 2007, the Carr's Milling Industries Employees' Share Trust purchased 17,400 ordinary shares of the Company.

MAJOR SHAREHOLDERS

The Company has been informed of the following interests at 16 November 2007 in the 8,256,599 ordinary shares of the Company, as required by the Companies Act 1985:

	Number of shares	Percentage of Issued share capital
Heygate & Sons Limited	1,332,928	16.1%
T W G Charlton	1,152,500	14.0%
Chase Nominees Limited	437,450	5.3%
HSBC Global Custody Nominee (UK) Limited	350,000	4.2%
Polar Capital Partners	256,481	3.1%
R & I Duff	250,000	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 12. 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 appears on page 75 and includes the following items of Special Business:

(i) Resolution 7 : Disapplication of pre-emption rights
The resolution renews the existing authority to the Directors under Section 95 of the Companies Act 1985 to allot shares by way of rights to shareholders and to allot shares for cash up to a nominal value of £103,207 (representing 5 per cent of the issued share capital) without first offering such shares pro rata to existing shareholders, as would otherwise be required under Section 89 of that Act. This will allow the Directors some flexibility when considering how best to finance new business opportunities. In accordance with the requirements of the London Stock Exchange this resolution will come up for renewal at the next Annual General Meeting.

(ii) Resolution 8 : Purchase its own shares
This resolution renews the existing authority to the directors to buy, by way of market purchases, up to 825,660 of its own shares (representing 10 per cent of the issued share capital). The proposal should not be taken as an indication that the Company will purchase its own shares. This authority will only be exercised by the Directors if they are satisfied that it would result in an increase in earnings per share and would be in the best interest of shareholders generally.

More information on Resolution 7 and 8 can be found in the Notice of Annual General Meeting.

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 (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and 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
26 November 2007

Corporate Governance

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

PRINCIPLES OF GOOD GOVERNANCE

The Board is committed to high standards of corporate governance. The adoption and maintenance of good governance is the responsibility of the Board as a whole. This report, together with the Directors' Remuneration Report on pages 19 to 22, describes how the Board applies the principles of good governance and best practice as set out in the Combined Code 2003 on Corporate Governance (the "Combined Code"). A statement of compliance can be found at the end of this report.

THE BOARD

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

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

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

BOARD COMMITTEES

Audit Committee

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

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

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

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

MEETINGS ATTENDANCE

Details of the number of meetings 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	**10**	**2**	**2**
W R Inglewood	10	2	2
C N C Holmes	10	-	-
R C Wood	10	-	-
A R Heygate	8	1	2
A G M Wannop	10	2	2

A R Heygate was unable to attend an Audit Committee meeting and A G M Wannop was appointed Chairman for this meeting.

Remuneration Committee

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

The Committee recommends to the Board the policy for executive remuneration and determines, on behalf of the Board, the other terms and conditions of service for each executive Director. It determines appropriate performance conditions for the annual cash bonus and deferred bonus scheme and approves awards and the issue of options in accordance with the terms of those schemes. The executive directors' contract periods are two years and the Board has not set an objective on the reduction of these contract periods to one year or less as it feels that this is the minimum appropriate to retain the services of key executives with significant knowledge of the business in which the Group trades. The Remuneration Committee also monitors the level and structure of remuneration of senior management below that of main board Director. The Remuneration Committee has access to advice from the Company Secretary and to detailed analysis of executive remuneration in comparable companies. Details of the Committee's current remuneration policies are given in the Directors' Remuneration Report on pages 19 to 22.

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 Group'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, and it is the Group's practice to indicate the proxy voting results on all resolutions at the meeting.

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 are not aware of any significant breaches in internal control in the period.

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.

Corporate Governance continued

The Board confirms that the key on-going processes and features of the Group's internal risk based control system, which accord with the Turnbull guidance, have been fully operative and up to the date of the Annual Report being approved. These include: a process to identify and evaluate business risk; a strong control environment; an information and communication process; a monitoring system and a regular Board review for effectiveness. The Finance Director and Group Financial Accountant are responsible for overseeing the Group's internal controls.

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

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

AUDITOR INDEPENDENCE

The Board is satisfied that PricewaterhouseCoopers LLP has adequate policies and safeguards in place to ensure that auditor objectivity and independence is maintained. The 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 2003

The Directors consider that the Group has, during the period ended 1 September 2007, complied with the requirements of the revised Combined Code 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 although the Board consider him to be independent (Sch. A.3.1)
- bonuses and benefits in kind paid to executive directors are pensionable (Sch. A.6)
- the directors' contract periods are two years (B.1.6)
- there are no specific provisions for compensation on early termination (B.1.5)
- the Board did not have in place during the period a formal and rigorous process of evaluation of its own performance and that of its committees (A.6.1). Rigorous but informal evaluation has historically been carried out by the Chairman and Chief Executive, an evaluation of the performance of the individual directors has also been carried out by the Remuneration Committee
- there is no separate Nominations Committee (A.4.1) to assess and recommend new directors. Instead the Board as a whole considers these areas following initial scrutiny and recommendations by the Chief Executive and Chairman.

By order of the Board

Ronald C Wood
Secretary
26 November 2007

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

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

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

DETAILS OF REMUNERATION
The remuneration of directors is set out in detail on page 21. The Company's Remuneration Committee decides the remuneration policy that applies to executive directors and the Group's other senior management.

Each of the executive directors has a two-year rolling contract. The most recent executed contracts for the executive directors were dated 10 June 2002. In the event of termination the executive directors would be entitled to loss of salary, benefits and pensionable service for the notice periods. The contracts of non-executive directors of the Company are fixed for two years and the most recent executed contracts for W R Inglewood, A R Heygate and A G M Wannop were 1 September 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 period. 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 2007, with increases taking effect from 1 September 2007. The next review will take place in August 2008. Executive directors' contracts of service, which include details of remuneration, will be available for inspection at the Annual General Meeting.

Annual Bonus is paid up to a maximum of 50% of Basic Salary on achievement of profit targets and is pensionable. The annual bonus is pensionable and is consistent with past policy. The Remuneration Committee will consider this policy on the appointment of future executive directors.

Benefits in Kind comprise private healthcare which is 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. The two executive directors are members of the pension scheme and can opt, after age 50, to retire early without actuarial reduction to their pension. Non-executive directors do not participate in the scheme. Pension entitlement is calculated on the salary element of remuneration plus the average of the last three years' bonuses and taxable benefits in kind. The executive directors' pension information is given in the section subject to audit.

The pension entitlement is that which would be paid annually on retirement based on service to the end of the period. Members of the scheme have the option to pay additional voluntary contributions, neither the contributions nor the resulting benefits are included in the table on page 21.

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

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

Directors' Remuneration Report continued

Up to 5 April 2006 the Group had established for C N C Holmes a funded unapproved retirement benefit scheme (FURBS) for the element of gross salary in excess of the Inland Revenue limits. The enactment of the Pensions Act 2004 removed the need to operate a FURBS. C N C Holmes' pension arrangement is now funded by the Group's main pension scheme, the Carr's Milling Industries Pension Scheme 1993.

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

Deferred Bonus Scheme. In February 2006, the Group established an HMRC Approved Deferred Bonus Scheme. During the period ended 1 September 2007, the two executive directors deferred 50% of the bonus earned in the period ended 2 September 2006. 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 2009, 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 22, 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 2002 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 2007 £'000**	Total Emoluments 2006 £'000	**2007 Pension Contributions £'000**	2006 Pension Contributions £'000	**2007 Gain on Exercise of Share Options £'000**	2006 Gain on Exercise of Share Options £'000
Executive directors									
C N C Holmes	197	39	1	**237**	281	**34**	90	**32**	—
R C Wood	171	34	1	**206**	245	**26**	57	**29**	—
Non-executive directors									
W R Inglewood	45	—	—	**45**	40	**—**	—	**—**	—
A R Heygate	20	—	—	**20**	20	**—**	—	**—**	—
A G M Wannop	20	—	—	**20**	20	**—**	—	**—**	—
	453	73	2	**528**	606	**60**	147	**61**	—

EXECUTIVE DIRECTORS' PENSION INFORMATION

	C N C Holmes	R C Wood
Age at 1 September 2007	55	59
	£'000	£'000
Directors' contributions during the period	18	15
Increase in accrued pension entitlement for the period		
excluding inflation	5	9
including inflation	10	13
Total accrued pension entitlement		
At 1 September 2007	148	146
At 2 September 2006	138	133
Transfer value of pension		
At 1 September 2007	2,489	2,844
At 2 September 2006	2,237	2,614
Increase in transfer value less contributions made by directors	234	215
Transfer value of the increase in accrued benefits less contributions made by directors	72	153

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

The increase in the accrued entitlement is the difference between the accrued benefit at the year end and that at the previous year 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 individual directors 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 including those exercised, as at 1 September 2007 are:

	At 2 September 2006	Exercised during period	Granted during period	At 1 September 2007	Exercise price	Date of Grant	Earliest date from which exercisable	Expiry date
C N C Holmes	40,000	(7,500)	—	**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
	64,500	(7,500)	—	**57,000**				
R C Wood	50,000	(6,823)	—	**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
	74,500	(6,823)	—	**67,677**				

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	7,500	8 Dec 2006	161.0	590.0	32
R C Wood	6,823	8 Dec 2006	161.0	590.0	29

The middle market closing price of the shares at 1 September 2007 was 522.5p (2 September 2006: 568.0p) and the range throughout the period was 702.5p to 510.0p.

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, after income tax, in November 2006 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 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 2009 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
C N C Holmes	4,647	7,877	1	7,877
R C Wood	4,050	6,866	1	6,866

SAVINGS RELATED SHARE OPTION SCHEME

	At 2 September 2006 Number	**At 1 September 2007 Number**	Average exercise price	Exercise date
C N C Holmes	1,951	**1,951**	479p	May 2009
R C Wood	1,951	**1,951**	479p	May 2009

The Directors are eligible, as are other employees of the Group, to participate in the Sharesave Scheme 2006, which by its nature does not have performance conditions.

On behalf of the Board

W R Inglewood

Chairman of the Remuneration Committee

26 November 2007

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 1 September 2007 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 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 (2003) 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 Directors' Report, 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 1 September 2007 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 1 September and cash flows for the period then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, 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
26 November 2007

Consolidated Income Statement
for the period ended 1 September 2007

Notes		52 week period 2007 £'000	52 week period 2006 £'000
2,3	**Revenue**	**252,753**	242,576
3	Cost of sales	**(218,603)**	(206,658)
3	**Gross profit**	**34,150**	35,918
3	Net operating expenses	**(28,365)**	(28,802)
3,4	Group operating profit	**5,785**	7,116
	Analysed as:		
	Operating profit before non-recurring items and amortisation	**6,192**	7,987
6	Non-recurring items and amortisation	**(407)**	(871)
	Group operating profit	**5,785**	7,116
8	Interest income	**392**	378
8	Other finance income	**95**	143
8	Interest expense	**(1,484)**	(1,532)
5	Share of post-tax profit in associate and joint ventures	**738**	218
2	**Profit before taxation**	**5,526**	6,323
2,9	Taxation	**(1,225)**	(1,989)
	Profit for the period	**4,301**	4,334
	Profit attributable to minority interest	**120**	139
	Profit attributable to equity shareholders	**4,181**	4,195
		4,301	4,334
	Earnings per share (pence)		
11	Basic	**50.7**	51.0
11	Diluted	**49.9**	50.4

All of the above are derived from continuing operations.

Consolidated and Company Statement of Recognised Income and Expense
for the period ended 1 September 2007

Notes		Group 52 week period 2007 £'000	Group 52 week period 2006 £'000	Company 52 week period 2007 £'000	Company 52 week period 2006 £'000
	Foreign exchange translation differences arising on				
30	translation of overseas subsidiaries	**(253)**	(150)	**—**	—
	Actuarial gains/(losses) on retirement benefit obligation:				
28	- Group	**4,570**	(3,900)	**4,570**	(3,900)
28	- Share of associate	**1,437**	206	**—**	—
	Taxation (charge)/credit on actuarial movement on retirement benefit obligation:				
19	- Group	**(1,595)**	1,170	**(1,595)**	1,170
	- Share of associate	**(459)**	(62)	**—**	—
	Net income/(expense) recognised directly in equity	**3,700**	(2,736)	**2,975**	(2,730)
	Profit for the period	**4,301**	4,334	**4,742**	5,536
30	**Total recognised income and expense for the period**	**8,001**	1,598	**7,717**	2,806
30	Attributable to minority interest	**120**	139	**—**	—
30	Attributable to equity shareholders	**7,881**	1,459	**7,717**	2,806
		8,001	1,598	**7,717**	2,806

Consolidated and Company Balance Sheet
As at 1 September 2007

Notes		Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
	Assets				
	Non-current assets				
12	Goodwill	**1,016**	235	**—**	—
12	Other intangible assets	**444**	802	**—**	—
13	Property, plant and equipment	**28,481**	29,172	**—**	—
14	Investment property	**756**	794	**—**	—
15,18	Investment in subsidiary undertakings	**—**	—	**12,925**	12,864
15,16	Investment in associate	**2,456**	982	**1,470**	1,470
15,17	Interest in joint ventures	**935**	704	**269**	272
15	Other investments	**251**	254	**200**	201
	Financial assets				
27	- Derivative financial instruments	**132**	37	**111**	31
21	- Non-current receivables	**100**	208	**—**	—
19	Deferred tax assets	**3,228**	5,162	**2,750**	4,761
		37,799	38,350	**17,725**	19,599
	Current assets				
20	Inventories	**14,853**	11,944	**—**	—
21	Trade and other receivables	**35,481**	33,546	**14,575**	14,325
22	Current tax assets	**82**	1	**508**	900
23	Cash at bank and in hand	**1,315**	2,292	**1,141**	—
		51,731	47,783	**16,224**	15,225
	Total assets	**89,530**	86,133	**33,949**	34,824
	Liabilities				
	Current liabilities				
	Financial liabilities				
26	- Borrowings	**(10,717)**	(9,682)	**(3,379)**	(4,251)
27	- Derivative financial instruments	**(10)**	(27)	**—**	(4)
24	Trade and other payables	**(28,478)**	(25,387)	**(1,117)**	(1,025)
25	Current tax liabilities	**(570)**	(1,324)	**—**	—
		(39,775)	(36,420)	**(4,496)**	(5,280)
	Non-current liabilities				
	Financial liabilities				
26	- Borrowings	**(5,971)**	(6,512)	**(5,117)**	(5,610)
28	Retirement benefit obligation	**(9,807)**	(15,796)	**(9,807)**	(15,796)
19	Deferred tax liabilities	**(3,418)**	(3,600)	**—**	—
24	Other non-current liabilities	**(1,705)**	(1,524)	**—**	—
		(20,901)	(27,432)	**(14,924)**	(21,406)
	Total liabilities	**(60,676)**	(63,852)	**(19,420)**	(26,686)
	Net assets	**28,854**	22,281	**14,529**	8,138
	Shareholders' equity				
29	Ordinary shares	**2,064**	2,058	**2,064**	2,058
30	Share premium	**5,073**	5,004	**5,073**	5,004
30	Treasury share reserve	**(101)**	—	**—**	—
30,31	Equity compensation reserve	**95**	22	**112**	27
30	Foreign exchange reserve	**(483)**	(230)	**—**	—
30	Other reserve	**1,570**	1,601	**—**	—
30	Retained earnings	**18,574**	11,895	**7,280**	1,049
30	**Total shareholders' equity**	**26,792**	20,350	**14,529**	8,138
30	Minority interests in equity	**2,062**	1,931	**—**	—
30	**Total equity**	**28,854**	22,281	**14,529**	8,138

The financial statements set out on pages 24 to 72 were approved by the Board on 26 November 2007 and signed on its behalf by:

Christopher N C Holmes

Ronald C Wood

Consolidated and Company Cash Flow Statement
For the period ended 1 September 2007

Notes		Group		Company	
		52 week period 2007 £'000	52 week period 2006 £'000	**52 week period 2007 £'000**	52 week period 2006 £'000
	Cash flows from operating activities				
33	Cash generated from/(used by) operations	**6,906**	11,069	**(731)**	(332)
	Interest received	**389**	379	**551**	548
	Interest paid	**(1,407)**	(1,755)	**(596)**	(747)
	Tax (paid)/recovered	**(2,053)**	(2,454)	**570**	(58)
	Net cash generated from/(used by) operating activities	**3,835**	7,239	**(206)**	(589)
	Cash flows from investing activities				
	Acquisition of subsidiaries (net of cash acquired) - group	**(1,141)**	(3)	**—**	—
	Proceeds from redemption of preference shares in subsidiaries	**—**	—	**—**	233
	Investment in joint ventures	**—**	(710)	**—**	(100)
	Dividends received from subsidiaries	**—**	—	**4,250**	3,629
	Net payment of loans to joint ventures	**(90)**	(280)	**(165)**	(205)
	Purchase of intangible assets	**(11)**	(9)	**—**	—
	Proceeds from sale of property, plant and equipment	**121**	192	**—**	—
	Purchase of property, plant and equipment	**(1,896)**	(2,901)	**—**	—
	Proceeds from sale of investment property	**96**	—	**—**	—
	Proceeds from sale of investments	**1**	1	**1**	1
	Receipt of non-current receivables	**100**	—	**—**	—
	Purchase of own shares held in trust	**(101)**	—	**(101)**	—
	Net cash (used by)/generated from investing activities	**(2,921)**	(3,710)	**3,985**	3,558
	Cash flows from financing activities				
	Net proceeds from issue of ordinary share capital	**75**	32	**75**	32
	Net proceeds from loans from subsidiaries	**—**	—	**2,406**	1,779
	Finance lease principal repayments	**(1,005)**	(1,047)	**—**	—
	Repayment of borrowings	**(83)**	(2,487)	**(2,746)**	(2,550)
	Dividends paid to shareholders	**(1,486)**	(1,358)	**(1,486)**	(1,358)
	Net cash used by financing activities	**(2,499)**	(4,860)	**(1,751)**	(2,097)
	Effects of exchange rate changes	**(97)**	(88)	**(4)**	(25)
	Net (decrease)/increase in cash and cash equivalents	**(1,682)**	(1,419)	**2,024**	847
23	Cash and cash equivalents at beginning of the period	**1,084**	2,503	**(883)**	(1,730)
23	Cash and cash equivalents at end of the period	**(598)**	1,084	**1,141**	(883)

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

BASIS OF CONSOLIDATION

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

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

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

REVENUE RECOGNITION

Revenue from the sale of goods or services is measured at the fair value of the consideration, net of rebates and excluding value added tax. Revenue from the sale of goods or services is recognised when the

Group has transferred the significant risks and rewards of ownership of the goods to the buyer, when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group.

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

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

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

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

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

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

A credit representing the expected return on the assets of the pension schemes during the period is netted against the above charge within operating costs. This is based on the market value of the assets of the schemes at the start of the financial period. Actuarial gains and losses 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 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 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	3 - 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/software	3 to 5 years
Vehicles	4 to 10 years
Fixtures and fittings	3 to 5 years

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

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.

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 installments over the expected useful lives of the assets concerned.

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

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

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

LEASES

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

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

TAX

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

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

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

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

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

DIVIDENDS

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

FINANCIAL INSTRUMENTS

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

Trade receivables

Trade receivables are 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. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.

Investments

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.

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

Financial liability and equity

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

Bank borrowings

Interest-bearing loans and overdrafts are 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.

Trade payables

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

Equity instruments

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

Derivative financial instruments and hedging activities

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

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

Principal Accounting Policies continued

IFRS NOT YET APPLIED

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

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

It is considered that the above standards and interpretations will not have a significant effect on the results or net assets of the Group. IFRS7, IAS1 Revised and IFRS8 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 addition the following amendments to standards are currently in exposure draft.

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

SIGNIFICANT JUDGEMENTS, KEY ASSUMPTIONS AND ESTIMATES

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

Valuation of pension obligations

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

During the period an impairment was identified in our associate. This impairment is reflected in our share of post-tax profit in associate (note 6).

No other 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.

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 £4,742,000 (2006: £5,536,000).

2 **SEGMENTAL REPORTING**

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 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					2,456
- Investment in joint ventures					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 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 2 September 2006 are as follows:

	Agriculture £'000	Food £'000	Engineering £'000	Other £'000	Group £'000
Total gross segment revenue	174,793	55,703	12,345	213	243,054
Inter-segment revenue	(301)	(3)	(174)	—	(478)
Revenue	174,492	55,700	12,171	213	242,576
Operating profit before retirement benefit charge*	4,954	2,506	1,055	(325)	8,190
Analysed as:					
Before non-recurring items and amortisation	4,998	3,333	1,055	(325)	9,061
Non-recurring items and amortisation	(44)	(827)	—	—	(871)
	4,954	2,506	1,055	(325)	8,190
Retirement benefit charge*					(1,074)
Interest income					378
Other finance income					143
Interest expense					(1,532)
Share of post-tax profit of associate (Agriculture)					393
Share of post-tax loss of joint ventures (Agriculture)					(175)
Profit before taxation					6,323
Taxation					(1,989)
Profit for the period					4,334
Segment assets	39,974	28,723	8,341	784	77,822
Unallocated assets					
- Investment in associate					982
- Investment in joint ventures					704
- Other investments					254
- Income tax assets					5,163
Total assets					84,925

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

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

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

Other segment items

	Agriculture £'000	Food £'000	Engineering £'000	Other £'000	Group £'000
Capital expenditure					
- Property, plant and equipment	1,782	2,029	141	53	4,005
- Other intangible assets	50	—	—	—	50
Depreciation of property, plant and equipment	1,348	1,640	279	124	3,391
Depreciation of investment property	1	24	—	3	28
Loss/(profit) on the disposal of property, plant and equipment	16	10	(2)	3	27
Amortisation of intangible assets	128	826	32	—	986

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

2 SEGMENTAL REPORTING continued

Secondary reporting format - geographical segments

	Revenue		Segment assets		Capital Expenditure	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000	**2007 £'000**	2006 £'000
UK	**242,056**	231,810	**78,009**	74,984	**2,577**	3,609
Other	**10,697**	10,766	**2,656**	2,838	**186**	446
	252,753	242,576	**80,665**	77,822	**2,763**	4,055

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

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

		2007		2006	
		£'000	**£'000**	£'000	£'000
Revenue			**252,753**		242,576
Cost of sales			**(218,603)**		(206,658)
Gross profit			**34,150**		35,918
Net operating expenses:					
Distribution costs		**(17,897)**		(17,192)	
Administrative expenses	- normal	**(10,061)**		(10,739)	
	- non-recurring items and amortisation (see note 6)	**(407)**		(871)	
		(10,468)		(11,610)	
			(28,365)		(28,802)
Group operating profit			**5,785**		7,116

4 GROUP OPERATING PROFIT

	2007 £'000	2006 £'000
Group operating profit is stated after charging/(crediting):		
Amortisation of grants	**(20)**	(18)
Loss/(profit) on disposal of investments	**3**	(1)
Loss on disposal of property, plant and equipment	**18**	27
Profit on disposal of investment property	**(77)**	—
Depreciation of property, plant and equipment held under finance lease	**823**	746
Depreciation of owned property, plant and equipment	**2,684**	2,645
Depreciation of owned investment property	**19**	28
Amortisation of intangible assets	**446**	986
Foreign exchange gains	**(83)**	(86)
Derivative financial instruments (gains)/losses	**(17)**	27
Operating lease charges:		
Plant and machinery	**646**	604
Other	**1**	25
Auditors remuneration:		
Audit services (Company £10,000; 2006 £10,000)	**60**	60
The auditing of accounts of associates of the company pursuant to legislation (including that of countries and territories outside Great Britain)	**115**	119
Other services:		
Accounting advisory services (IFRS transition)	**—**	32
Services relating to taxation (2006 includes IFRS transition services)	**45**	92

Included within group operating profit is the following in respect of investment property leased to, and occupied by, external parties:

Rental income	**38**	33
Operating expenses	**(58)**	(65)
	(20)	(32)

Notes to the Financial Statements continued

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

		2007 £'000	2006 £'000
Share of post-tax profit in associate	- normal	**615**	393
	- non-recurring items and amortisation (see note 6)	**(119)**	—
		496	393
Share of post-tax profit/(loss) in joint ventures	- normal	**261**	(46)
	- non-recurring items and amortisation (see note 6)	**(19)**	(129)
		242	(175)
Total share of post-tax profit in associate and joint ventures		**738**	218

6 NON-RECURRING ITEMS AND AMORTISATION

	2007		2006	
	Amount £'000	Tax credit £'000	Amount £'000	Tax credit £'000
Group operating profit:				
Immediate recognition of negative goodwill	**—**	**—**	77	—
Amortisation of intangible assets	**(407)**	**114**	(948)	284
	(407)	**114**	(871)	284
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 asset and impairment of goodwill recognised in joint ventures, net of tax	**(19)**	**—**	(129)	—
Total non-recurring items and amortisation	**(545)**	**114**	(1,000)	284

	2007	2006
Profit before taxation	**5,526**	6,323
Non-recurring items and amortisation	**(545)**	(1,000)
Adjusted profit before taxation	**6,071**	7,323
Group operating profit	**5,785**	7,116
Non-recurring items and amortisation	**(407)**	(871)
Adjusted Group operating profit	**6,192**	7,987

7 STAFF COSTS

Group	2007 £'000	2006 £'000
Wages and salaries	**17,911**	17,888
Social security costs	**1,893**	1,782
Other pension costs	**1,914**	2,120
Fair value loss on share based awards	**84**	27
	21,802	21,817

Included within other pension costs is £1,167,000 (2006: £1,074,000) in respect of the defined benefit pension scheme.

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

	2007 Number	2006 Number
Sales, office and management	**433**	433
Manufacture and distribution	**305**	304
	738	737

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 19 to 22.

Company	2007 £'000	2006 £'000
Wages and salaries	**827**	899
Social security costs	**87**	104
Other pension costs	**355**	273
Fair value loss on share based awards	**24**	2
	1,293	1,278

In addition to the above the company results reflect the IAS19 charge of £1,167,000 (2006: £1,074,000) in respect of the defined benefit pension scheme, and the IAS19 credit of £2,586,000 (2006: £1,297,000) 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:

	2007 Number	2006 Number
Sales, office and management	**15**	16

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 19 to 22.

Notes to the Financial Statements continued

8 INTEREST INCOME, OTHER FINANCE INCOME AND INTEREST EXPENSE

	2007 £'000	2006 £'000
Interest income		
Bank interest	**336**	366
Other interest	**56**	12
Total interest income	**392**	378
Other finance income		
Movement in fair value of interest related derivative instruments (note 27)	**95**	143
Total other finance income	**95**	143
Interest expense		
Interest payable on bank overdrafts	**(357)**	(355)
Interest payable on bank loans and other borrowings	**(868)**	(939)
Interest payable on finance leases and hire purchase contracts	**(127)**	(128)
Other interest	**(132)**	(110)
Total interest expense	**(1,484)**	(1,532)

9 TAXATION

	2007 £'000	2006 £'000
(a) Analysis of the charge in the period		
Current tax:		
UK corporation tax		
Current period	**950**	1,861
Prior period	**(347)**	(711)
Foreign tax		
Current period	**472**	514
Prior period	**(14)**	—
Consortium relief		
Prior period	**73**	625
Group current tax	**1,134**	2,289
Deferred tax:		
Origination and reversal of timing differences	**91**	(300)
Group deferred tax (note 19)	**91**	(300)
Tax on profit on ordinary activities	**1,225**	1,989

(b) Factors affecting tax charge for the period

The tax assessed for the period is lower (2006: higher) than the rate of corporation tax in the UK (30%). The differences are explained below:

	2007 £'000	2006 £'000
Profit before tax	**5,526**	6,323
Tax at 30%	**1,658**	1,897
Effects of:		
Tax effect of share of profit in associate and joint ventures	**(221)**	(65)
Tax effect of expenses that are not allowable in determining taxable profit	**256**	204
Effects of different tax rates of foreign subsidiaries	**35**	11
Effects of tax at marginal rates	**15**	(3)
Effects of changes in tax rates	**(271)**	—
Over provision in prior years	**(246)**	(55)
Other	**(1)**	—
Total tax charge for the period	**1,225**	1,989

9 TAXATION continued

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

The government also announced its intention to propose that Parliament abolish Industrial Buildings Allowances ("IBAs"). As of 1 September 2007, this change was not substantively enacted. Had the change been substantively enacted as of the balance sheet date the estimated impact on the income statement would be an increase in the deferred tax charge of £1,267,039.

10 DIVIDENDS

Equity	**2007 £'000**	2006 £'000
Final dividend for the period ended 2 September 2006 of 12.5p per 25.0p share (2005: 11.0p)	**1,032**	905
Interim paid of 5.5p per 25.0p share (2006: 5.5p)	**454**	453
	1,486	1,358

The proposed dividend to be considered by shareholders at the Annual General Meeting is £1,114,641, being 13.5p per share, making a total for the period of 19.0p. 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 8,240,848 shares (2006: 8,227,329) 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:

	2007		2006	
	Earnings £'000	**Earnings per share pence**	Earnings £'000	Earnings per share pence
Earnings per share - basic	**4,181**	**50.7**	4,195	51.0
Non-recurring items and intangible asset amortisation:				
Immediate recognition of negative goodwill	**—**	**—**	(77)	(0.9)
Amortisation of intangible asset	**407**	**5.0**	948	11.5
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	**19**	**0.2**	129	1.6
Taxation arising on non-recurring items	**(114)**	**(1.4)**	(284)	(3.5)
Earnings per share - adjusted	**4,612**	**56.0**	4,911	59.7

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.

		2007			2006	
	Earnings £'000	**Weighted average number of shares**	**Earnings per share pence**	Earnings £'000	Weighted average number of shares	Earnings per share pence
Earnings per share	**4,181**	**8,240,848**	**50.7**	4,195	8,227,329	51.0
Effect of dilutive securities:						
Options	**—**	**107,639**	**(0.6)**	—	97,288	(0.6)
Save as you earn (SAYE)	**—**	**13,274**	**(0.1)**	—	3,949	—
Deferred bonus scheme	**—**	**23,214**	**(0.1)**	—	—	—
Diluted earnings per share	**4,181**	**8,384,975**	**49.9**	4,195	8,328,566	50.4

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 4 September 2005	460	2,266	357	160	—	3,243
Re-assessment of deferred consideration	(245)	—	—	—	—	(245)
Additions	80	—	—	—	50	130
At 2 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**
Amortisation						
At 4 September 2005	60	969	28	48	—	1,105
Charge for the period	—	913	35	32	6	986
At 2 September 2006	60	1,882	63	80	6	2,091
Charge for the period	—	376	32	32	6	446
Reclassification	—	—	—	—	21	21
At 1 September 2007	**60**	**2,258**	**95**	**112**	**33**	**2,558**
Net book value						
At 3 September 2005	400	1,297	329	112	—	2,138
At 2 September 2006	235	384	294	80	44	1,037
At 1 September 2007	**1,016**	**88**	**262**	**48**	**46**	**1,460**

During the period goodwill of £781,000 arose on the acquisition of Johnstone Fuels and Lubricants Limited (note 32). 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.

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

Goodwill brought forward at 4 September 2005 includes deferred consideration of £322,000 on the acquisition of Wallace Oils Holdings Limited. This was not paid and resulted in the creation of negative goodwill of £76,810 which was credited to the income statement during the previous period. This change in accounting estimate was accounted for prospectively in accordance with IAS 8.

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 three 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.

There is no goodwill or intangible assets in the company.

13 PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings £'000	Plant and equipment £'000	Assets in course of construction £'000	Total £'000
Cost				
At 4 September 2005	17,377	36,369	470	54,216
Exchange differences	(27)	(5)	—	(32)
Additions	285	3,358	362	4,005
Disposals	(22)	(1,957)	—	(1,979)
Reclassifications	456	9	(465)	—
At 2 September 2006	18,069	37,774	367	56,210
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**
Depreciation				
At 4 September 2005	2,672	22,706	—	25,378
Exchange differences	(6)	34	—	28
Charge for the period	518	2,873	—	3,391
Disposals	(22)	(1,737)	—	(1,759)
At 2 September 2006	3,162	23,876	—	27,038
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**
Net book value				
At 3 September 2005	14,705	13,663	470	28,838
At 2 September 2006	14,907	13,898	367	29,172
At 1 September 2007	**14,907**	**13,419**	**155**	**28,481**

Freehold land amounting to £2,348,545 (2006: £2,261,045) has not been depreciated.

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

	2007 £'000	2006 £'000
The net book value of land and buildings comprises:		
Freehold	**11,835**	11,694
Long leasehold	**3,072**	3,213

The net book value of plant and equipment includes £2,631,019 (2006: £2,723,049) in respect of assets held under finance leases.

Depreciation is recognised within the Income Statement as shown below:

	2007 £'000	2006 £'000
Cost of Sales	**2,643**	2,556
Distribution costs	**158**	131
Administrative expenses	**706**	704
	3,507	3,391

The company has no property, plant and equipment.

Notes to the Financial Statements continued

14 INVESTMENT PROPERTY

Group	Land and buildings £'000
Cost	
At 4 September 2005 and 2 September 2006	896
Disposals	(25)
At 1 September 2007	**871**
Depreciation	
At 4 September 2005	74
Charge for the period	28
At 2 September 2006	102
Charge for the period	19
Disposals	(6)
At 1 September 2007	**115**
Net book value	
At 3 September 2005	822
At 2 September 2006	794
At 1 September 2007	**756**

Included within investment property are properties occupied by life tenants. The net book value of these properties at 1 September 2007 is £236,000 (2006: £242,000).

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

There is no investment property in the company.

15 INVESTMENTS

Group	Joint ventures £'000	Associate £'000	Other investments £'000	Total £'000
Cost				
At 4 September 2005	172	445	273	890
Exchange difference	(3)	—	—	(3)
Additions	710	—	—	710
Disposals	—	—	(10)	(10)
Share of post-tax (loss)/profit	(175)	393	—	218
Share of gains recognised directly in equity	—	144	—	144
At 2 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**
Provision for impairment				
At 4 September 2005	—	—	18	18
Disposals	—	—	(9)	(9)
At 2 September 2006 and 1 September 2007	**—**	**—**	**9**	**9**
Net book value				
At 3 September 2005	172	445	255	872
At 2 September 2006	704	982	254	1,940
At 1 September 2007	**935**	**2,456**	**251**	**3,642**

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 4 September 2005	172	1,470	18,158	211	20,011
Fair value loss on share awards to employees of subsidiary undertakings	—	—	25	—	25
Additions	100	—	—	—	100
Disposals	—	—	—	(10)	(10)
Redemption of preference shares	—	—	(233)	—	(233)
At 2 September 2006	272	1,470	17,950	201	19,893
Exchange difference	(3)	—	—	—	(3)
Fair value loss on share awards to employees of subsidiary undertakings	—	—	61	—	61
Disposals	—	—	—	(1)	(1)
At 1 September 2007	**269**	**1,470**	**18,011**	**200**	**19,950**
Provision for impairment					
At 4 September 2005	—	—	5,086	9	5,095
Disposals	—	—	—	(9)	(9)
At 2 September 2006 and 1 September 2007	**—**	**—**	**5,086**	**—**	**5,086**
Net book value					
At 3 September 2005	172	1,470	13,072	202	14,916
At 2 September 2006	272	1,470	12,864	201	14,807
At 1 September 2007	**269**	**1,470**	**12,925**	**200**	**14,864**

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

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 paid was £1. 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. Results for the period since 1 July 2007 have not been included in the share of post-tax profit in joint ventures on the grounds of immateriality.

16 INVESTMENT IN ASSOCIATE

The associated undertaking at 1 September 2007 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:

	2007 £'000	2006 £'000
Total assets	**20,649**	22,367
Total liabilities	**(18,137)**	(22,864)
Revenues	**68,904**	69,744
Profit after tax	**1,012**	803

Included within investment in associate is a loan for £1,225,000 (2006: £1,225,000) which is considered to form part of the net investment in associate.

17 INTEREST IN JOINT VENTURES

The joint ventures at 1 September 2007 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	17	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 33% 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:

	2007 £'000	2006 £'000
Non-current assets	**1,698**	1,629
Current assets	**1,822**	1,542
Current liabilities	**(2,435)**	(2,116)
Non-current liabilities	**(743)**	(931)
Income	**9,612**	8,045
Expenses	**(9,279)**	(8,197)
Net finance costs	**(28)**	(23)

Goodwill of £13,000 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 £580,000 (2006: £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 Johnstone Fuels and Lubricants 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	**2007 £'000**	2006 £'000	**2007 £'000**	2006 £'000	**2007 £'000**	2006 £'000
Accelerated tax depreciation	**—**	—	**(2,550)**	(2,692)	**(2,550)**	(2,692)
Employee benefits	**2,746**	4,739	**—**	—	**2,746**	4,739
Other	**482**	423	**(868)**	(908)	**(386)**	(485)
Tax assets/(liabilities)	**3,228**	5,162	**(3,418)**	(3,600)	**(190)**	1,562

Movement in deferred tax during the 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)**

Movement in deferred tax during the prior period

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

19 DEFERRED TAX ASSETS AND LIABILITIES continued

Company	Assets 2007 £'000	2006 £'000
Employee benefits	**2,746**	4,739
Other	**4**	22
Tax assets	**2,750**	4,761

Movement in deferred tax during the 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**

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

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

The government also announced its intention to propose that Parliament abolish Industrial Buildings Allowances ("IBAs"). As of 1 September 2007, this change was not substantively enacted. Had the change been substantively enacted as of the balance sheet date the estimated impact on the balance sheet would be an increase in the deferred tax liability of £1,267,039.

Notes to the Financial Statements continued

20 INVENTORIES

Group	**2007 £'000**	2006 £'000
Raw materials and consumables	**6,582**	5,364
Work in progress	**953**	695
Finished goods and goods for resale	**7,318**	5,885
	14,853	11,944

Inventories is stated after a provision for impairment of £334,000 (2006: £276,000).

Cost of sales consists of the following:

Material cost	**203,240**	191,362
Processing cost	**4,949**	5,024
Other	**10,414**	10,272
	218,603	206,658

The company has no inventories.

21 TRADE AND OTHER RECEIVABLES

	Group		**Company**	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Current:				
Trade receivables	**34,674**	32,765	**—**	—
Less: provision for impairment of receivables	**(2,082)**	(3,061)	**—**	—
Trade receivables - net	**32,592**	29,704	**—**	—
Amounts recoverable on contracts	**5**	22	**—**	—
Amounts owed by Group undertakings (note 38)	**—**	—	**13,914**	13,933
Amounts owed by other related parties (note 38)	**689**	616	**380**	209
Other receivables	**890**	2,029	**134**	36
Prepayments and accrued income	**1,305**	1,175	**147**	147
	35,481	33,546	**14,575**	14,325
Non-current:				
Other receivables	**100**	208	**—**	—
	100	208	**—**	—

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

During the period a charge of £196,000 (2006: £459,000) has been recognised in the income statement in respect of the provision for impairment of receivables.

Included in the 2006 provision for impairment is an amount of £784,000 which has been written off in the current period. This was in respect of debts in the books of W & J Pye Limited when it was acquired by the Group's associate, Carrs Billington Agriculture (Operations) Limited, in July 2005. Following acquisition these debts were assigned to Carrs Billington Agriculture (Sales) Limited. In the period these old debts have been pursued and deemed uncollectible and the provision has been offset against book debts.

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

22 CURRENT TAX ASSETS

	Group		**Company**	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Corporation tax recoverable	**82**	1	**272**	657
Group taxation relief	**—**	—	**236**	243
	82	1	**508**	900

23 CASH AND CASH EQUIVALENTS AND BANK OVERDRAFTS

	Group		Company	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Cash at bank and in hand per the balance sheet	**1,315**	2,292	**1,141**	—
Bank overdrafts (note 26)	**(1,913)**	(1,208)	**—**	(883)
Cash and cash equivalents per the cash flow statement	**(598)**	1,084	**1,141**	(883)

24 TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Current:				
Trade payables	**17,527**	15,034	**—**	—
Payments on account	**1,046**	1,100	**—**	—
Amounts owed to Group undertakings (note 38)	**—**	—	**219**	18
Amounts owed to other related parties (note 38)	**5,399**	3,499	**—**	—
Other taxes and social security payable	**949**	1,370	**217**	213
Other payables	**1,166**	1,640	**159**	200
Accruals and deferred income	**2,391**	2,744	**522**	594
	28,478	25,387	**1,117**	1,025
Non-current:				
Other payables	**1,559**	1,358	**—**	—
Accruals and deferred income	**146**	166	**—**	—
	1,705	1,524	**—**	—

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	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
At the beginning of the period	**166**	184	**—**	—
Amortisation in the period	**(20)**	(18)	**—**	—
At the end of the period	**146**	166	**—**	—

25 CURRENT TAX LIABILITIES

	Group		Company	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Current tax	**493**	722	**—**	—
Consortium tax relief	**77**	602	**—**	—
	570	1,324	**—**	—

Notes to the Financial Statements continued

26 BORROWINGS

	Group		Company	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Current:				
Bank overdrafts	**1,913**	1,208	**—**	883
Bank loans and other borrowings	**6,826**	6,409	**493**	893
Loans from group undertakings (note 38)	**—**	—	**2,886**	2,475
Other loans (note 38)	**1,225**	1,225	**—**	—
Finance leases	**753**	840	**—**	—
	10,717	9,682	**3,379**	4,251
Non-current:				
Bank loans	**5,117**	5,610	**5,117**	5,610
Other loans	**30**	30	**—**	—
Finance leases	**824**	872	**—**	—
	5,971	6,512	**5,117**	5,610
Borrowings are repayable as follows:				
On demand or within one year	**10,717**	9,682	**3,379**	4,251
In the second year	**1,051**	1,082	**493**	493
In the third to fifth years inclusive	**4,920**	5,430	**4,624**	5,117
	16,688	16,194	**8,496**	9,861

Group and company borrowings are shown in the balance sheet net of arrangement fees of £15,458 of which £7,000 is deducted from current liabilities (2006: £22,458 of which £7,000 is deducted from current liabilities).

Finance leases are repayable as follows:				
On demand or within one year	**753**	840	**—**	—
In the second year	**528**	559	**—**	—
In the third to fifth years inclusive	**296**	313	**—**	—
	1,577	1,712	**—**	—
The net borrowings are:				
Borrowings as above	**16,688**	16,194	**8,496**	9,861
Cash and cash equivalents	**(1,315)**	(2,292)	**(1,141)**	—
Net borrowings	**15,373**	13,902	**7,355**	9,861

Finance lease obligations are secured on the assets to which they relate. Bank loans and other borrowings includes an amount of £6,333,000 (2006: £5,516,000) which is secured on trade debtors. The Company, together with certain subsidiaries, act as guarantors on the bank loans.

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 installments and the overdraft is repayable on demand.

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

27 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

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

Interest rate risk

The Group finances its operations through a mixture of retained earnings and bank borrowings. The Group borrows in the desired currencies at fixed and floating rates of interest and then uses interest rate caps and swaps to manage the Group's exposure to interest rate fluctuations. At the period end £6.6 million (2006: £6.7 million) of the Group's borrowings were at a fixed rate of interest.

Liquidity rate risk

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

Foreign currency risk

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

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

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.

Credit risk

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.

Effective interest rates at the balance sheet date and borrowing maturity

Group	Weighted average effective interest rate %	Total £'000	2007 Within one year £'000	One to two years £'000	Two to five years £'000	Weighted average effective interest rate %	Total £'000	2006 Within one year £'000	One to two years £'000	Two to five years £'000
Bank overdrafts	**6.75**	**1,913**	**1,913**	**—**	**—**	5.75	1,208	1,208	—	—
Bank loans and other borrowings	**7.46**	**11,943**	**6,826**	**493**	**4,624**	6.08	12,019	6,409	493	5,117
Other loans	**—**	**1,255**	**1,225**	**30**	**—**	—	1,255	1,225	30	—
Finance lease liabilities	**8.70**	**1,577**	**753**	**528**	**296**	6.90	1,712	840	559	313
		16,688	**10,717**	**1,051**	**4,920**		16,194	9,682	1,082	5,430
Fixed rate		**6,577**	**753**	**904**	**4,920**		6,712	840	559	5,313
Floating rate		**8,856**	**8,739**	**117**	**—**		8,227	7,617	493	117
Non-interest bearing		**1,255**	**1,225**	**30**	**—**		1,255	1,225	30	—
		16,688	**10,717**	**1,051**	**4,920**		16,194	9,682	1,082	5,430

The effect of the Group's interest rate swap is to classify £5 million (2006: £5 million) of floating rate borrowings in the above table as fixed rate.

The floating rate financial liabilities bear interest determined as follows:

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

Notes to the Financial Statements continued

27 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS continued

Company	Weighted average effective interest rate %	Total £'000	2007 Within one year £'000	One to two years £'000	Two to five years £'000	Weighted average effective interest rate %	Total £'000	2006 Within one year £'000	One to two years £'000	Two to five years £'000
Bank overdrafts	**6.75**	**—**	**—**	**—**	**—**	5.75	883	883	—	—
Bank loans and other borrowings	**7.97**	**5,610**	**493**	**493**	**4,624**	6.14	6,503	893	493	5,117
Loans from group undertakings	**5.78**	**2,886**	**2,886**	**—**	**—**	4.78	2,475	2,475	—	—
		8,496	**3,379**	**493**	**4,624**		9,861	4,251	493	5,117
Fixed rate		**5,000**	**—**	**376**	**4,624**		5,000	—	—	5,000
Floating rate		**3,496**	**3,379**	**117**	**—**		4,861	4,251	493	117
		8,496	**3,379**	**493**	**4,624**		9,861	4,251	493	5,117

The effect of the Company's interest rate swap is to classify £5 million (2006: £5 million) of floating rate borrowings in the above table as fixed rate.

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

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

Analysis of borrowings by currency:

Group	2007 Sterling £'000	2007 US Dollar £'000	2007 Euro £'000	2007 Total £'000	2006 Sterling £'000	2006 US Dollar £'000	2006 Euro £'000	2006 Total £'000
Bank overdrafts	**1,832**	**81**	**—**	**1,913**	1,006	186	16	1,208
Bank loans and other borrowings	**11,943**	**—**	**—**	**11,943**	12,019	—	—	12,019
Other loans	**1,225**	**—**	**30**	**1,255**	1,225	—	30	1,255
Finance leases	**1,577**	**—**	**—**	**1,577**	1,712	—	—	1,712
	16,577	**81**	**30**	**16,688**	15,962	186	46	16,194
Company								
Bank overdrafts	**—**	**—**	**—**	**—**	867	—	16	883
Bank loans and other borrowings	**5,610**	**—**	**—**	**5,610**	6,503	—	—	6,503
Loans from group undertakings	**114**	**2,772**	**—**	**2,886**	114	2,361	—	2,475
	5,724	**2,772**	**—**	**8,496**	7,484	2,361	16	9,861

Borrowing facilities

The Group had various undrawn committed facilities. The undrawn facilities available at 1 September 2007, in respect of which all conditions precedent had been met, were as follows:

	2007 Floating rate £'000	2006 Floating rate £'000
Expiring in one year or less	**11,673**	10,928

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

Derivative financial instruments

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

27 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS continued

Currency derivatives

The Group and Company 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		Company	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
At beginning of period	**(27)**	—	**(4)**	—
Gains/(losses) during the period	**17**	(27)	**4**	(4)
At end of period	**(10)**	(27)	**—**	(4)

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

Interest rate derivatives

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

	Interest rate cap				Interest rate swap			
	Group		Company		Group		Company	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000	**2007 £'000**	2006 £'000	**2007 £'000**	2006 £'000
At beginning of period	**6**	—	**—**	—	**31**	(106)	**31**	(106)
Gains/(losses) during the period	**15**	6	**—**	—	**80**	137	**80**	137
At end of period	**21**	6	**—**	—	**111**	31	**111**	31

Fair value has been determined by reference to the value of equivalent instruments at the balance sheet date. Gains and losses on interest related derivatives are included within 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 is 30 September 2008.
The interest rate swap has a notional value of £5,000,000 and a fixed interest rate of 4.88%, with interest payments being made at quarterly intervals. The date of maturity is 10 December 2009.

Fair values of financial assets and financial liabilities

	Group				Company			
	2007		2006		**2007**		2006	
	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	**251**	**251**	254	254	**200**	**200**	201	201
Non-current derivatives	**132**	**132**	37	37	**111**	**111**	31	31
Non-current receivables	**100**	**100**	208	208	**—**	**—**	—	—
Current trade and other receivables	**35,481**	**35,481**	33,546	33,546	**14,575**	**14,575**	14,325	14,325
Cash and cash equivalents	**1,315**	**1,315**	2,292	2,292	**1,141**	**1,141**	—	—
	37,279	**37,279**	36,337	36,337	**16,027**	**16,027**	14,557	14,557
Liabilities								
Current borrowings	**10,717**	**10,717**	9,682	9,682	**3,379**	**3,379**	4,251	4,251
Current derivatives	**10**	**10**	27	27	**—**	**—**	4	4
Trade and other payables	**28,478**	**28,478**	25,387	25,387	**1,117**	**1,117**	1,025	1,025
Non-current borrowings	**5,971**	**6,058**	6,512	6,532	**5,117**	**5,196**	5,610	5,691
Other non-current liabilities	**1,705**	**1,705**	1,524	1,524	**—**	**—**	—	—
	46,881	**46,968**	43,132	43,152	**9,613**	**9,692**	10,890	10,971

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

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

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

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

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 £178,000 (2006: £181,000). Contributions totalling £8,000 (2006: £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 £264,000 (2006: £260,000).

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 £2,586,000 (2006: £1,297,000).

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 1 September 2007.

Major assumptions:

	2007 £'000	2006 £'000
Inflation	**3.2%**	3.0%
Salary increases	**4.2%**	4.0%
Rate of discount	**5.9%**	5.1%
Pension in payment increases:		
Pre 1 September 2001	**3.5%**	3.25%
Post 1 September 2001	**3.2%**	3.0%
Revaluation rate for deferred pensioners for pensions revaluing at 5.0% per annum or RPI if less	**3.2%**	3.0%

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

Males currently age 40	20.2 years
Females currently age 40	23.1 years
Males currently age 65	19.4 years
Females currently age 65	22.4 years

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

	2007 £'000	2006 £'000
Current service cost	**788**	714
Interest on pension scheme liabilities	**2,334**	2,131
Expected return on pension scheme assets	**(1,955)**	(1,771)
	1,167	1,074

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

	2007 £'000	2006 £'000
Cost of Sales	**404**	399
Administrative expenses	**763**	675
	1,167	1,074

Actuarial gains of £4,570,000 (2006: Losses of £3,900,000) have been reported in the Statement of Recognised Income and Expense.

28 RETIREMENT BENEFIT OBLIGATION continued

Amounts included in the Balance Sheet:

	2007 £'000	2006 £'000
Present value of defined benefit obligations	**(43,721)**	(45,794)
Fair value of scheme assets	**33,914**	29,998
Deficit in scheme	**(9,807)**	(15,796)
Past service cost not yet recognised in the balance sheet	**—**	—
Total liability recognised in the balance sheet	**(9,807)**	(15,796)
Amount included in current liabilities	**—**	—
Amount included in non-current liabilities	**(9,807)**	(15,796)

Movements in the present value of defined benefit obligations:

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

Movements in the fair value of scheme assets:

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

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

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

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

Notes to the Financial Statements continued

28 RETIREMENT BENEFIT OBLIGATION continued

History of scheme:

	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Present value of the defined benefit obligation	**(43,721)**	(45,794)	(39,556)	(33,991)	(32,068)
Fair value of scheme assets	**33,914**	29,998	27,437	23,051	21,315
Deficit	**(9,807)**	(15,796)	(12,119)	(10,940)	(10,753)
Difference between expected and actual returns on scheme assets:					
Amount £'000	**206**	358	2,018	(397)	(280)
Percentage of scheme assets	**0.6%**	1.2%	7.4%	1.7%	1.3%
Experience gains and losses on scheme liabilities:					
Amount £'000	**4,364**	(4,258)	(3,561)	(227)	(3,303)
Percentage of scheme liabilities	**10.0%**	9.3%	9.0%	0.7%	10.3%

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 £382,000 to the defined benefit scheme in the next financial period.

Carrs Billington Agriculture

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

The pension contribution made by Carrs Billington Agriculture (Sales) Limited over the period to the Carrs Billington Agriculture Pension Scheme was £77,000 (2006: £84,000).

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

The actuarial valuation as at 31 December 2006 has not yet been finalised.

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 £115,000 (2006: £70,000).

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 (2006: £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 2003 and updated on an approximate basis to 1 September 2007.

It is not possible to identify the underlying share of the pension scheme assets and liabilities that relate to Carr's Milling Industries PLC. Approximately 50% of the assets and liabilities of the pension scheme relate to Carr's Milling Industries PLC and 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:

	2007 £'000	2006 £'000
Inflation	**3.3%**	3.0%
Salary increases	**3.8%**	3.5%
Rate of discount	**5.8%**	5.1%
Pension in payment increases:		
LPI max 5%	**3.3%**	3.0%
LPI max 3%	**2.75%**	3.0%
LPI max 2.5%	**2.25%**	—
Revaluation rate for deferred pensioners for pensions revaluing at 5.0% per annum or RPI if less	**3.3%**	3.0%

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 1 September 2007	At 2 September 2006
Males currently age 45	**23.0 years**	21.3 years
Females currently age 45	**25.8 years**	24.1 years
Males currently age 65	**21.9 years**	19.7 years
Females currently age 65	**24.8 years**	22.6 years

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

	2007 £'000	2006 £'000
Current service cost	**131**	157
Interest on pension scheme liabilities	**1,237**	1,150
Expected return on pension scheme assets	**(1,139)**	(1,033)
	229	274

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 gains of £2,932,000 (2006: £419,000) have been reported in the Statement of Recognised Income and Expense.

Amounts included in the Balance Sheet of the associate:

	2007 £'000	2006 £'000
Present value of defined benefit obligations	**(22,322)**	(24,698)
Fair value of scheme assets	**20,661**	19,008
Deficit in scheme	**(1,661)**	(5,690)
Past service cost not yet recognised in the balance sheet	**—**	—
Total liability recognised in the balance sheet	**(1,661)**	(5,690)

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

The associate has agreed with the active members of the scheme to cease payment of contributions for future pension accrual in December 2007.

Movements in the present value of defined benefit obligations:

	2007 £'000	2006 £'000
At the beginning of the period	**24,698**	23,943
Current service cost	**131**	157
Interest cost	**1,237**	1,150
Changes in assumptions underlying the defined benefit obligation	**(2,740)**	364
Benefits paid	**(1,004)**	(916)
At the end of the period	**22,322**	24,698

Notes to the Financial Statements continued

28 RETIREMENT BENEFIT OBLIGATION continued

Movements in the fair value of scheme assets:

	2007 £'000	2006 £'000
At the beginning of the period	**19,008**	17,466
Expected return on scheme assets	**1,139**	1,033
Actual return less expected return on scheme assets	**192**	783
Contributions by employer	**1,326**	642
Benefits paid	**(1,004)**	(916)
At the end of the period	**20,661**	19,008

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

	Expected return		Fair value of assets	
	2007 %	2006 %	2007 £'000	2006 £'000
Equity instruments	**7.5**	6.7	**14,150**	13,459
Debt instruments	**5.1**	4.1	**5,628**	4,991
Other assets	**5.1**	4.1	**883**	558
	6.7	5.9	**20,661**	19,008
Actual return on scheme assets			**1,331**	1,816

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:

	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Present value of the defined benefit obligation	**(22,322)**	(24,698)	(23,943)	(19,677)	(17,576)
Fair value of scheme assets	**20,661**	19,008	17,466	14,820	14,116
Deficit	**(1,661)**	(5,690)	(6,477)	(4,857)	(3,460)
Difference between expected and actual returns on scheme assets:					
Amount £'000	**192**	783	1,688	100	136
Percentage of scheme assets	**1.0%**	4.1%	9.7%	0.7%	1.0%
Experience gains/(losses) on scheme liabilities:					
Amount £'000	**2,740**	(364)	(3,613)	(1,628)	(1,326)
Percentage of scheme liabilities	**12.3%**	1.5%	15.1%	8.3%	7.5%

It is expected that contributions of approximately £1,300,000 will be paid to the defined benefit scheme in the next financial period.

29 CALLED-UP SHARE CAPITAL

Group and Company	2007 Shares	2007 £'000	2006 Shares	2006 £'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	**8,233,579**	**2,058**	8,213,579	2,053
Exercise of share options	**14,323**	**4**	20,000	5
Allotment of shares	**8,697**	**2**	—	—
At end of period	**8,256,599**	**2,064**	8,233,579	2,058

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

The further allotment of shares of 8,697 (2006: nil) with a nominal value of £2,000 (2006: £nil) was to provide bonus award shares under the deferred bonus scheme.

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 4 September 2005	2,053	4,977	—	—	(80)	1,632	11,613	20,195	1,710	21,905
Total recognised income and expense for the period	—	—	—	—	(150)	—	1,609	1,459	139	1,598
Dividends paid	—	—	—	—	—	—	(1,358)	(1,358)	—	(1,358)
Equity settled share-based payment transactions, net of tax	—	—	—	22	—	—	—	22	5	27
Share options exercised by employees	5	27	—	—	—	—	—	32	—	32
Minority interest on increase in shareholding in subsidiary	—	—	—	—	—	—	—	—	77	77
Transfer	—	—	—	—	—	(31)	31	—	—	—
Balance at 2 September 2006	2,058	5,004	—	22	(230)	1,601	11,895	20,350	1,931	22,281
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**

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 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 4 September 2005	2,053	4,977	—	(399)	6,631
Total recognised income and expense for the period	—	—	—	2,806	2,806
Dividends paid	—	—	—	(1,358)	(1,358)
Equity settled share-based payment transactions, net of tax	—	—	27	—	27
Share options exercised by employees	5	27	—	—	32
Balance at 2 September 2006	2,058	5,004	27	1,049	8,138
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**

31 SHARE-BASED PAYMENTS

The Group operates six 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	2007 Number	2006 Number	Price Range	Dates of Grant
Executive Scheme 1996	**75,677**	90,000	161p	2002
Company Plan 1996	**37,000**	37,000	161p	2002

During the period 14,323 (2006: 20,000) shares were issued under these share option schemes.

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

31 SHARE-BASED PAYMENTS continued

New Schemes

Group

During the period the Group entered into a deferred bonus scheme. As part of the deferred bonus scheme the eligible individuals invest a proportion of their bonus into shares. Matching shares may be awarded after a period of three years if certain performance criteria are met. Individuals in the scheme may receive a maximum of one matching share for every share 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 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.

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

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

All employees, subject to 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 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)	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)	£6.43	£4.78	£4.64	£4.64
Exercise price (weighted average)	£0.25	£4.78	£4.79	£4.79
Number of employees	5	30	56	73
Shares under option (approved)	24,277	132,000	27,117	66,515
Shares under option (unapproved)	—	12,000	—	—
Vesting period (years)	2.67	3	3	5
Model used for valuation	Black Scholes	Binomial	Black Scholes	Black Scholes
Expected volatility	21.00%	22.44%	20.18%	21.37%
Option life (years)	2.75	10	3.5	5.5
Expected life (years)	2.67	6.5	3.25	5.25
Risk-free rate	5.451%	4.224%	4.683%	4.623%
Expected dividends expressed as a dividend yield	3.20%	3.36%	3.56%	3.56%
Expectations of vesting	100%	100%	75%	75%
Expectations of meeting performance criteria	100%	100%	N/A	N/A
Fair value per option	£5.69	£0.99	£0.60	£0.78

The expected volatility is based on historical volatility calculated over the weighted average remaining life of the award being valued. The expected life is the average 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 2006

The number and weighted average exercise prices are as follows:

	2007 Weighted average exercise price £	2007 Number of options ('000)	2006 Weighted average exercise price £	2006 Number of options ('000)
Outstanding at the beginning of the period	—	—	—	—
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	—	—
Exercisable at the end of the period	—	—	—	—

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

Approved and Unapproved Executive Share Option Scheme 2006

The number and weighted average exercise prices are as follows:

	2007 Weighted average exercise price £	2007 Number of options ('000)	2006 Weighted average exercise price £	2006 Number of options ('000)
Outstanding at the beginning of the period	4.78	144	—	—
Granted during the period	—	—	4.78	144
Exercised during the period	—	—	—	—
Lapsed during the period	4.76	(3)	—	—
Outstanding at the end of the period	4.78	141	4.78	144
Exercisable at the end of the period	—	—	—	—

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

31 SHARE-BASED PAYMENTS continued

Share Save Scheme 2006 - 3 Year Plan

The number and weighted average exercise prices are as follows:

	2007		2006	
	Weighted average exercise price £	**Number of options ('000)**	Weighted average exercise price £	Number of options ('000)
Outstanding at the beginning of the period	**4.79**	**27**	—	—
Granted during the period	**—**	**—**	4.79	27
Exercised during the period	**—**	**—**	—	—
Lapsed during the period	**4.79**	**(3)**	—	—
Outstanding at the end of the period	**4.79**	**24**	4.79	27
Exercisable at the end of the period	**—**	**—**	—	—

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

Share Save Scheme 2006 - 5 Year Plan

The number and weighted average exercise prices are as follows:

	2007		2006	
	Weighted average exercise price £	**Number of options ('000)**	Weighted average exercise price £	Number of options ('000)
Outstanding at the beginning of the period	**4.79**	**67**	—	—
Granted during the period	**—**	**—**	4.79	67
Exercised during the period	**—**	**—**	—	—
Lapsed during the period	**4.79**	**(9)**	—	—
Outstanding at the end of the period	**4.79**	**58**	4.79	67
Exercisable at the end of the period	**—**	**—**	—	—

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

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:

	2007 £'000	2006 £'000
Approved and Unapproved Executive Share Option Scheme 2006	**42**	24
Share Save Scheme 2006 - 3 Year Plan	**4**	1
Share Save Scheme 2006 - 5 Year Plan	**8**	2
Deferred Bonus Scheme 2006	**30**	—
	84	27

New Schemes

Company

During the period the Company entered into a deferred bonus scheme. As part of the deferred bonus scheme the eligible individuals invest a proportion of their bonus into shares. Matching shares may be awarded after a period of three years if certain performance criteria are met. Individuals in the scheme may receive a maximum of one matching share for every share 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 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.

In 2006 the company entered into three new schemes, an Inland Revenue approved discretionary employee share option scheme, an unapproved discretionary share option scheme and a share save scheme.

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

The expected volatility is based on historical volatility calculated over the weighted average remaining life of the award being valued. The expected life is the average 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 2006

The number and weighted average exercise prices are as follows:

	2007 Weighted average exercise price £	2007 Number of options ('000)	2006 Weighted average exercise price £	2006 Number of options ('000)
Outstanding at the beginning of the period	—	—	—	—
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	—	—
Exercisable at the end of the period	—	—	—	—

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

Unapproved Executive Share Option Scheme 2006

The number and weighted average exercise prices are as follows:

	2007 Weighted average exercise price £	2007 Number of options ('000)	2006 Weighted average exercise price £	2006 Number of options ('000)
Outstanding at the beginning of the period	5.02	12	—	—
Granted during the period	—	—	5.02	12
Exercised during the period	—	—	—	—
Lapsed during the period	—	—	—	—
Outstanding at the end of the period	5.02	12	5.02	12
Exercisable at the end of the period	—	—	—	—

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

Share Save Scheme 2007 - 3 Year Plan

The number and weighted average exercise prices are as follows:

	2007 Weighted average exercise price £	2007 Number of options ('000)	2006 Weighted average exercise price £	2006 Number of options ('000)
Outstanding at the beginning of the period	4.79	6	—	—
Granted during the period	—	—	4.79	6
Exercised during the period	—	—	—	—
Lapsed during the period	—	—	—	—
Outstanding at the end of the period	4.79	6	4.79	6
Exercisable at the end of the period	—	—	—	—

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

Notes to the Financial Statements continued

31 SHARE-BASED PAYMENTS continued

Share Save Scheme 2006 - 5 Year Plan

The number and weighted average exercise prices are as follows:

	2007		2006	
	Weighted average exercise price £	Number of options ('000)	Weighted average exercise price £	Number of options ('000)
Outstanding at the beginning of the period	**4.79**	**1**	—	—
Granted during the period	**—**	**—**	4.79	1
Exercised during the period	**—**	**—**	—	—
Lapsed during the period	**—**	**—**	—	—
Outstanding at the end of the period	**4.79**	**1**	4.79	1
Exercisable at the end of the period	**—**	**—**	—	—

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

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

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

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

	2007 £'000	2006 £'000
Approved Executive Share Option Scheme 2006	**61**	22
Share Save Scheme 2006 - 3 Year Plan	**4**	1
Share Save Scheme 2006 - 5 Year Plan	**9**	2
Deferred Bonus Scheme 2006	**12**	—
Total carrying amount of investments	**86**	25

32 ACQUISITIONS

Johnstone Fuels and Lubricants Limited

On 8 January 2007, Carrs Billington Agriculture (Sales) Limited acquired the whole of the issued share capital of Johnstone Fuels and Lubricants Limited for a total cash consideration including costs of £1,827,000.

On 4 March 2007 the trade and net assets of Johnstone Fuels and Lubricants Limited were hived up into Carrs Billington Agriculture (Sales) Limited. Since that date the company has been dormant.

The total adjustments required to the book values of the assets and liabilities of the acquired company in order to present the net assets at fair values and in accordance with Group accounting principles were £80,000 details of which are set out overleaf, together with the resultant amount of goodwill arising.

This purchase has been accounted for as an acquisition.

The summarised income statement for Johnstone Fuels and Lubricants Limited for the period from 1 May 2006, the beginning of their financial year, to the date of the acquisition is as follows:

	Period ended 7 January 2007 £'000
Income Statement	
Revenue	**8,106**
Operating Profit	**141**
Profit before taxation	**132**
Taxation	**(25)**
Profit after taxation	**107**

The profit after taxation for the year ended 30 April 2006 was £217,000.

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

Notes to the Financial Statements continued

32 ACQUISITIONS continued

The assets and liabilities of Johnstone Fuels and Lubricants Limited acquired are set out below:

	Book Value £,000	Customer relationships £'000	Fair value £'000
Non-current assets:			
Intangible assets	—	80	80
Property, plant and equipment	315	—	315
Current assets:			
Cash and cash equivalents	686	—	686
Other current assets	1,684	—	1,684
Current liabilities	(1,586)	—	(1,586)
Non-current liabilities	(133)	—	(133)
Net assets acquired	966	80	1,046
Goodwill			781
Total consideration			1,827
Satisfied by:			
Cash			1,792
Acquisition expenses			35
			1,827

Intangible assets comprise customer relationships which have been valued using an income approach and are being amortised in line with the profit streams generated over the life of the relationship.

Goodwill represents the geographical expansion of the existing fuel and oil business in southwest Scotland together with expected group synergies arising from the acquisition.

Amortisation included in profit before tax for the period ended 1 September 2007 in respect of intangible assets acquired in this acquisition amounts to £54,000.

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 Johnstone Fuels and Lubricants Limited the trade and net assets were hived up into Carrs Billington Agriculture (Sales) Limited on 4 March 2007 and were amalgamated with the trade and net assets of the existing fuel and oil 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.

33 CASH GENERATED FROM/(USED BY) OPERATIONS

	Group		Company	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Profit for the period	**4,301**	4,334	**4,742**	5,536
Adjustments for:				
Tax	**1,225**	1,989	**180**	(159)
Dividends received from subsidiaries	**—**	—	**(4,250)**	(5,754)
Depreciation on property, plant and equipment	**3,507**	3,391	**—**	—
Loss on disposal of property, plant and equipment	**18**	27	**—**	—
Depreciation on investment property	**19**	28	**—**	—
Profit on disposal of investment property	**(77)**	—	**—**	—
Loss/(profit) on disposal of investments	**3**	(1)	**—**	(1)
Immediate recognition of negative goodwill	**—**	(77)	**—**	—
Intangible asset amortisation	**446**	986	**—**	—
Net fair value (gains)/losses on derivative financial instruments in operating profit	**(17)**	27	**(4)**	4
Net fair value loss on share based payments	**84**	27	**24**	2
Net foreign exchange differences	**3**	14	**(143)**	(93)
Finance costs:				
Interest income	**(392)**	(378)	**(553)**	(436)
Interest expense and borrowing costs	**1,491**	1,539	**666**	695
Net fair value gains on derivative financial instruments	**(95)**	(143)	**(80)**	(137)
Share of profit from associate and joint ventures	**(738)**	(218)	**—**	—
IAS19 income statement credit in respect of employer contributions (note 28)	**(2,586)**	(1,297)	**(2,586)**	(1,297)
IAS19 income statement charge (note 28)	**1,167**	1,074	**1,167**	1,074
Changes in working capital (excluding the effects of acquisitions)				
(Increase)/decrease in inventories	**(2,738)**	1,003	**—**	—
(Increase)/decrease in receivables	**(321)**	1,903	**132**	(183)
Increase/(decrease) in payables	**1,606**	(3,159)	**(26)**	417
Cash generated from/(used by) continuing operations	**6,906**	11,069	**(731)**	(332)

34 ANALYSIS OF NET DEBT

Group	At 3 September 2006 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	**At 1 September 2007 £'000**
Cash and cash equivalents	2,292	(977)	—	—	**1,315**
Bank overdrafts	(1,208)	(608)	—	(97)	**(1,913)**
	1,084	(1,585)	—	(97)	**(598)**
Loans and other borrowings:					
- current	(7,634)	83	(500)	—	**(8,051)**
- non-current	(5,640)	—	493	—	**(5,147)**
Finance leases:					
- current	(840)	1,005	(918)	—	**(753)**
- non-current	(872)	—	48	—	**(824)**
	(13,902)	(497)	(877)	(97)	**(15,373)**

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 3 September 2006 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	**At 1 September 2007 £'000**
Cash and cash equivalents	—	1,141	—	—	**1,141**
Bank overdrafts	(883)	887	—	(4)	**—**
	(883)	2,028	—	(4)	**1,141**
Loans and other borrowings:					
- current	(3,368)	340	(500)	149	**(3,379)**
- non-current	(5,610)	—	493	—	**(5,117)**
	(9,861)	2,368	(7)	145	**(7,355)**

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

Notes to the Financial Statements continued

35 CAPITAL COMMITMENTS

Group

	2007 £'000	2006 £'000
Capital expenditure that has been contracted for but has not been provided for in the accounts	**45**	182

The Company has no capital commitments.

36 OTHER FINANCIAL COMMITMENTS

Group

At 1 September 2007 the Group had commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Within one year	—	—	**435**	464
Within two and five years inclusive	—	—	**800**	423
After five years	—	—	**26**	4
	—	—	**1,261**	891

Company

At 1 September 2007 the Company had commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Within one year	—	—	**1**	1
Within two and five years inclusive	—	—	**4**	4
After five years	—	—	**1**	3
	—	—	**6**	8

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 1 September 2007 amounted to £2,822,000 (2006: £nil).

The Company, together with certain subsidiary undertakings, has a €1,125,000 (2006: €1,250,000) 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 1 September 2007 amounted to £151,000 (2006: £573,000).

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 1 September 2007 was £1,378,000 (2006: £1,200,737).

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 1 September 2007 amounts to £1,500,000 (2006: £2,250,000).

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	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Balances reported in the Balance Sheet				
Amounts due from key personnel (in a trading capacity)				
Trade receivables	**115**	94	**—**	—
	115	94	**—**	—
Transactions reported in the Income Statement:				
Revenue	**470**	352	**—**	—
Purchases	**(4)**	(4)	**—**	—
	466	348	**—**	—

Transactions with subsidiaries	Group		Company	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Balances reported in the Balance Sheet				
Amounts due from subsidiary undertakings:				
Loans	**—**	—	**13,618**	13,618
Other receivables	**—**	—	**296**	315
	—	—	**13,914**	13,933
Amounts due to subsidiary undertakings:				
Loans	**—**	—	**(2,886)**	(2,475)
Other payables	**—**	—	**(219)**	(18)
	—	—	**3,105**	(2,493)
Transactions reported in the Income Statement				
Management charges receivable	**—**	—	**1,336**	1,522
Dividends received	**—**	—	**4,250**	5,754
Interest receivable	**—**	—	**448**	402
Interest payable	**—**	—	**(223)**	(167)
	—	—	**5,811**	7,511

Transactions with associate	Group		Company	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Balances reported in the Balance Sheet				
Amounts due from associate:				
Trade and other receivables	**168**	241	**7**	3
	168	241	**7**	3
Amounts due to associate:				
Trade payables	**(5,399)**	(3,499)	**—**	—
	(5,399)	(3,499)	**—**	—

Notes to the Financial Statements continued

38 RELATED PARTIES continued

Transactions with associate continued

Transactions reported in the Income Statement	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Revenue	**1,218**	824	**—**	—
Rental income	**17**	17	**—**	—
Net management charges (payable)/receivable	**(130)**	(368)	**14**	14
Purchases	**(60,963)**	(58,171)	**—**	—
	(59,858)	(57,698)	**14**	14

Transactions with joint ventures

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Balances reported in the Balance Sheet				
Amounts due from joint ventures:				
Loans	**370**	280	**370**	205
Trade and other receivables	**36**	1	**3**	1
	406	281	**373**	206
Transactions reported in the Income Statement				
Revenue	**99**	—	**—**	—
Management charges receivable	**53**	50	**—**	—
	152	50	**—**	—

Transactions with other related parties

Other loans of £1,225,000 (2006: £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. Edward Billington and Son Limited has a 49% shareholding in Carrs Billington Agriculture (Sales) Limited. This loan is interest free, unsecured, and repayable on demand.

Five Year Statement

	UK GAAP (in IFRS format)			IFRS	
	2003	2004	2005	2006	**2007**
Revenue and results	£'000	£'000	£'000	£'000	**£'000**
Revenue	148,688	155,749	192,124	242,576	**252,753**
Group operating profit	4,011	5,036	12,264	7,116	**5,785**
Analysed as:					
Operating profit before non-recurring items and amortisation	4,011	5,036	7,975	7,987	**6,192**
Non-recurring items and amortisation	—	—	4,289	(871)	**(407)**
Group operating profit	4,011	5,036	12,264	7,116	**5,785**
Interest income	162	116	93	378	**392**
Interest expense	(746)	(691)	(1,185)	(1,532)	**(1,484)**
Other finance (costs)/income	—	—	(106)	143	**95**
Share of post-tax profit/(loss) in associate and joint ventures	693	531	(697)	218	**738**
Profit before taxation	4,120	4,992	10,369	6,323	**5,526**
Taxation	(1,331)	(1,498)	(2,557)	(1,989)	**(1,225)**
Profit for the period	2,789	3,494	7,812	4,334	**4,301**

Ratios					
Operating margin (excluding non-recurring items and amortisation)	2.7%	3.2%	4.2%	3.3%	**2.4%**
Return on net assets (excluding non-recurring items and amortisation)	17.7%	19.7%	27.8%	32.9%	**21.0%**
Earnings per share - basic	30.5p	39.9p	92.1p	51.0p	**50.7p**
- adjusted	34.7p	39.9p	50.9p	59.7p	**56.0p**
Dividends per ordinary share	11.5p	13.5p	16.0p	18.0p	**19.0p**

Five Year Statement continued

	UK GAAP (in IFRS format)			IFRS	
	2003	2004	2005	2006	**2007**
Net assets employed	£'000	£'000	£'000	£'000	**£'000**
Non-current assets					
Goodwill	63	40	400	235	**1,016**
Other intangible assets	—	144	1,738	802	**444**
Property, plant and equipment	19,723	20,474	28,838	29,172	**28,481**
Investment property	—	—	822	794	**756**
Investments	2,839	3,470	872	1,940	**3,642**
Financial assets					
- Derivative financial instruments	—	—	—	37	**132**
- Non-current receivables	8	5	223	208	**100**
Deferred tax assets	172	170	3,962	5,162	**3,228**
	22,805	24,303	36,855	38,350	**37,799**
Current assets					
Inventories	9,123	10,387	12,947	11,944	**14,853**
Trade and other receivables	18,240	19,686	35,197	33,546	**35,481**
Current tax assets	274	82	87	1	**82**
Cash at bank and in hand	1,472	1,091	3,149	2,292	**1,315**
	29,109	31,246	51,380	47,783	**51,731**
Total assets	51,914	55,549	88,235	86,133	**89,530**
Current liabilities					
Financial liabilities					
- Borrowings	(3,627)	(4,013)	(10,666)	(9,682)	**(10,717)**
- Derivative financial instruments	—	—	—	(27)	**(10)**
Trade and other payables	(18,592)	(20,308)	(29,318)	(25,387)	**(28,478)**
Current tax liabilities	(793)	(944)	(1,581)	(1,324)	**(570)**
	(23,012)	(25,265)	(41,565)	(36,420)	**(39,775)**
Non-current liabilities					
Financial liabilities					
- Borrowings	(3,460)	(2,836)	(7,399)	(6,512)	**(5,971)**
- Derivative financial instruments	—	—	(106)	—	**—**
Retirement benefit obligation	—	—	(12,119)	(15,796)	**(9,807)**
Deferred tax liabilities	(1,099)	(951)	(3,854)	(3,600)	**(3,418)**
Other non-current liabilities	(1,108)	(1,187)	(1,287)	(1,524)	**(1,705)**
	(5,667)	(4,974)	(24,765)	(27,432)	**(20,901)**
Total liabilities	(28,679)	(30,239)	(66,330)	(63,852)	**(60,676)**
Net assets	23,235	25,310	21,905	22,281	**28,854**

Notice of Annual General Meeting

Notice is hereby given that the Ninety Ninth Annual General Meeting of Carr's Milling Industries PLC will be held at the Crown Hotel, Wetheral, Carlisle on Tuesday 8 January, 2008 at 11.30 a.m. for the transaction of the following business.

ORDINARY BUSINESS

1. To adopt the Report of the Directors and Financial Statements for the period ended 1 September 2007.
2. To declare a final dividend of 13.5p per share on the Ordinary Share Capital.
3. To re-elect as a Director R C Wood who retires by rotation.
4. To re-elect as a Director A G M Wannop who retires by rotation.
5. To re-appoint PricewaterhouseCoopers LLP as Auditors and to authorise the Directors to fix their remuneration.
6. To approve the Remuneration Committee's Report for the period ended 1 September 2007.

SPECIAL BUSINESS

7. Disapplication of pre-emption rights

   To resolve as a special resolution that the directors of the Company be and are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (as defined in sub-section (2) of section 94 of the Companies Act 1985) pursuant to the authority conferred on them for the purposes of section 80 of the Act by the special resolution of the Company passed on 9 January 2007 as if section 89(1) of the said Act did not apply to such allotment provided that this power is limited to:

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

(ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £103,207, and shall expire at the conclusion of the next Annual General Meeting of the Company or 15 months from the date hereof, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

8. Company's authority to purchase its own shares

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

(i) the maximum number of ordinary shares hereby authorised to be purchased is 825,660;

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

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

(iv) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2009, if earlier, on 7 April 2009, but a contract of purchase may be made before such expiry which will or may be executed wholly or partly thereafter and a purchase of shares may be made in pursuance of any such contract.

Stanwix
Carlisle CA3 9BA
26 November 2007

By Order of the Board
Ronald C Wood
Secretary

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

(a) register of directors' interests.

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

(c) terms of reference for Audit Committee and Remuneration Committee.

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

Directory of Operations

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