Monday 6 April 2009

# CARR'S MILLING INDUSTRIES PLC - INTERIM ANNOUNCEMENT

## "Carr's performed well"

Carr's (CRM.L), the fully-listed agriculture, food and engineering group, announces an increased profit for the 26 weeks to 28 February 2009 relative to the 26 weeks to 1 March 2008, which was a strong period.

## Financial Highlights

- **Revenue up 8% to £174.5m (2008: £161.9m)**
- Pre-tax profit up 2% to £5.3m (2008: £5.2m)
- Fully-diluted earnings per share down 15% at 37.2p (2008: 44.0p), reflecting an increased minority interest and the increase in the issued share capital
- Interim dividend per share unchanged at 6.0p

## Commercial Highlights

- Agriculture increased its operating profit* by 9% to £4.4m on revenue up 10% at £130.2m and also reported a post-tax profit in associate and JVs down 23% at £0.8m. Animal feed, agricultural retailing and fuel distribution all did well
- Food increased its operating profit* by 45% to £1.6m on revenue up 2% at £40.5m. Volumes and profit increased in all three mills and the result was in line with budget
- Engineering achieved an operating profit of £0.5m, up 3%, on revenue up 14% at £3.8m

* before retirement benefit charge

Richard Inglewood, Chairman, stated "Carr's performed well in the 26 weeks to 28 February 2009. Pre-tax profit increased by 2% to £5.3m (2008: £5.2m), reflecting strong underlying trading in all major areas, with the exception of fertilisers, more than offsetting a £0.4m increase in the pension charge.

Since the period end, the fertiliser market has become more difficult in terms of both volumes and prices and the Group now anticipates, for fertilisers, a substantial adverse variance to budget for the full year. The remainder of the business is trading satisfactorily.

Accordingly, for the 52 weeks to 29 August 2009, the Board expects the pre-tax profit to be appreciably lower than last year's underlying figure, reflecting mainly the weakness in fertiliser but also the impact of the increased retirement benefit charge. Further out, the potential for improvement in the three Divisions, particularly fertiliser in Agriculture and the growth prospects for Engineering, give the Board confidence in the future."

**Presentation:**

Today, there will be a presentation to brokers' analysts and private client brokers between 13.00 and 14.00 at the offices of Investec, 2 Gresham Street, London EC2V 7QP. Those wishing to attend are asked to contact Charles Ponsonby of Bankside Consultants at charles.ponsonby@bankside.com.

**Enquiries:**


| | |
|---|---|
| Carr's Milling Industries plc | 01228-554 600 |
| Chris Holmes (Chief Executive Officer) | |
| Ron Wood (Finance Director) | |
| | |
| Bankside Consultants Limited | |
| Charles Ponsonby | 020-7367 8851/07789-202 312 |

## INTERIM MANAGEMENT REPORT

Carr's performed well in the 26 weeks to 28 February 2009. The unaudited pre-tax profit increased by 2% to £5.3m (2008: £5.2m), reflecting strong underlying trading in all major areas, with the exception of fertilisers, more than offsetting a £0.4m increase in the pension charge.

Since the period end, the fertiliser market has become more difficult in terms of both volumes and prices and the Group now anticipates, for fertilisers, a substantial adverse variance to budget for the full year. The remainder of the business is trading satisfactorily.

## FINANCIAL REVIEW

Revenue increased by 8% to £174.5m (2008: £161.9m). Pre-tax profit increased by 2% to £5.3m (2008: £5.2m), despite a £0.4m increase in retirement benefit charge, to £0.9m from £0.5m, due to a lower asset value and increased liabilities following the adoption of more recent mortality assumptions at 30 August 2008. This is a non-cash item.

Fully-diluted earnings per share were 15% lower at 37.2p (2008: 44.0p). This is due in part to the increase in the Company's issued share capital following the £2.6m cash placing in September 2008 and in part to the lower profit attributable to equity shareholders.

Total shareholders' equity increased by 28%, to £31.9m from £25.0m at 30 August 2008, due to retained earnings for the period, the cash placing in September 2008 and a £2.1m actuarial gain, net of deferred tax, on the retirement benefit obligation.

February is historically the peak of the Group's borrowing requirements and the net debt at the period end totalled £27.3m as against £26.7m at 1 March 2008 and £17.4m at 30 August 2008. This resulted in gearing of 86%, as against 93% and 70%, respectively.

Cash flow continues to be affected by high raw material prices, mainly those for fertilisers. The net cash outflow from operations of £6.1m (2008: £7.9m) is a consequence of the Group's increased revenue and higher associated working capital. Working capital at £43.4m is £14.6m higher than at 30 August 2008. This increase reflects the £4.0m increase in inventories resulting from lower than expected sales and an £8.4m reduction in trade and other payables.

Capital expenditure, whilst relatively modest, was higher at £2.2m (2008: £1.3m), with the principal expenditure on production plant for fertiliser blending and oil distribution facilities.

Net interest and finance expense was higher at £0.9m (2008: £0.8m) due to the adverse movement since August 2008 in the fair value of the Group's interest rate swaps. Net interest and finance expense was covered 6.1 times (2008: 6.5 times) by Group operating profit of £5.4m (2008: £4.9m).

## INTERIM DIVIDEND

The Board has declared an unchanged interim dividend per share of 6.0p, to be paid on 8 May 2009 to shareholders on the register at close of business on 17 April 2009.

## BUSINESS REVIEW

### Agriculture

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

Operating profit (before retirement benefit charge) of £4.4m (2008: £4.0m), up 9%, was achieved on revenue up 10% at £130.2m (2008: £118.8m). The Group's share of post-tax profit in associate and joint ventures was down 23% at £0.8m (2008: £1.0m).

***United Kingdom***

Compound and blended feed volumes reduced as cheaper home-grown cereals were utilised, following a record harvest. Profit was maintained in line with budget through reduced manufacturing costs and operational efficiencies.

*Crystalyx* feed block volumes and profit continued to grow, despite the price of the principal raw material, molasses, increasing, due to high demand for the production of bio-diesel. The new product for dairy cattle introduced last September, *Optimum*, is doing well.

Fertiliser sales suffered from farmers buying early in the previous financial year and from a delay in customer ordering due to volatility in raw material prices. This led to a very substantial reduction in volumes and to a substantial shortfall against budgeted volumes. To date, this lower level of sales has persisted in the second half of the financial year.

Revenue and profit from the Group's 15 retail branches (six of which also sell farm machinery) were ahead of last year.

The Group's fuel business did well, benefiting from the colder winter, and continued to grow its market share and profit.

***Overseas***

In the USA, Animal Feed Supplement, Inc., whose plants are located in South Dakota and Oklahoma, experienced reduced volumes for its *Smartlic* and *Feed in a Drum* low moisture feed blocks, but increased its margin and its profit on translation from US$ to Sterling.

In Germany, the Crystalyx Products joint venture to manufacture low moisture feed blocks had to contend with a very low German farm-gate milk price and a strong Euro, which acted as a hindrance to exports, but still produced a satisfactory result.

**Food**

Operating profit (before retirement benefit charge) of £1.6m (2008: £1.1m), up 45%, was achieved on revenue up 2% at £40.5m (2008: £39.7m).

The improved result reflects the poor start to the comparative period, prior to the price increase of November 2007. In the period under review, volumes and profit increased in all three mills, and the result was in line with budget. The operating margin (before retirement benefit charge), however, although improved, remained modest at 4.0% (2008: 2.8%).

**Engineering**

An operating profit (before retirement benefit charge) of £0.5m (2008: £0.5m) was achieved on revenue up 14% at £3.8m (2008: £3.3m).

Bendalls, the steel fabrication business, benefited from completion of some large contracts for the oil & gas industry in South America and from the completion of 36 pressure vessels for Total's Lyndsey Oil Refinery in North Lincolnshire, but continued to suffer delays by contractors, due to funding and design changes, on certain other contracts. Carrs MSM, the manufacturer of master slave manipulators for research centres and nuclear plants, traded steadily.

On 1 March 2009, the Group acquired the trade and assets of the remote handling technology, robotics and radiation protection equipment business of Hans Wälischmiller GmbH, based in Markdorf, Southern Germany, for €5.5m in cash, of which €2.7m is deferred consideration. This business complements Swindon-based Carrs MSM, which supplies remote handling equipment to the nuclear industry and research establishments.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Board considers that the principal risk and uncertainty that could have a material impact on the Group's performance over the remainder of the financial year is a greater than expected reduction in fertiliser sales and margins. In addition, the principal risks and uncertainties described on page 15 of the Annual Report and Accounts 2008 still apply.

## OUTLOOK

Market conditions for Fertilisers in the second half of the financial year are expected to remain difficult, resulting in a substantial adverse variance to fertiliser's budget for the full year. Other parts of UK Agriculture are trading satisfactorily. In the USA and Germany, Agriculture continues to trade in line with the Board's expectations.

Food is expected to make another useful contribution, broadly in line with the second half of last year.

In Engineering, the UK has experienced some delays to new contracts. Overseas, the recent acquisition of the trade and assets of South Germany-based Hans Wälischmiller GmbH will open new markets for the Division and lead to improved operating efficiency.

The increase in the retirement benefit charge in the second half of the financial year is estimated at a similar level to the first - £0.4m.

Accordingly, for the year to 29 August 2009, the Board expects the pre-tax profit to be appreciably lower than last year's underlying figure, reflecting mainly the weakness in fertiliser, but also the impact of the increased retirement benefit charge. Further out, the potential for improvement in the three Divisions, particularly fertiliser in Agriculture and the growth prospects for Engineering, give the Board confidence in the future.

**Richard Inglewood**
**Chairman** **6 April 2009**

## UNAUDITED CONSOLIDATED INCOME STATEMENT,

## for the 26 weeks ended 28 February 2009

| | Notes | **26 weeks ended 28 February 2009 £'000 (unaudited)** | 26 weeks ended 1 March 2008 £'000 (unaudited) | 52 weeks ended 30 August 2008 £'000 (audited) |
|---|---|---|---|---|
| Continuing operations | | | | |
| Revenue | 3 | **174,522** | 161,866 | 372,307 |
| Cost of sales | | **(153,719)** | (141,540) | (327,757) |
| **Gross profit** | | **20,803** | 20,326 | 44,550 |
| Net operating expenses | | **(15,431)** | (15,382) | (31,675) |
| **Group operating profit** | | **5,372** | 4,944 | 12,875 |
| **Analysed as:** | | | | |
| **Operating profit before non-recurring items and amortisation** | | **5,385** | 4,872 | 12,814 |
| Non-recurring items and amortisation | 7 | **(13)** | 72 | 61 |
| **Group operating profit** | | **5,372** | 4,944 | 12,875 |
| Interest income | | **143** | 291 | 454 |
| Interest expense | | **(874)** | (971) | (2,026) |
| Other finance expense | 5 | **(148)** | (75) | (35) |
| Share of post-tax profit in associate and joint ventures | | **757** | 980 | 1,590 |
| **Profit before taxation** | 3 | **5,250** | 5,169 | 12,858 |
| Taxation | 3,6 | **(1,385)** | (1,278) | (4,605) |
| **Profit for the period** | 3 | **3,865** | 3,891 | 8,253 |
| Profit attributable to minority interest | | **592** | 204 | 552 |
| Profit attributable to equity shareholders | | **3,273** | 3,687 | 7,701 |
| | | **3,865** | 3,891 | 8,253 |
| Dividend per share (pence) | | | | |
| Paid | 9 | **17.0** | 13.5 | 19.5 |
| Proposed | 9 | **6.0** | 6.0 | 17.0 |
| Earnings per share (pence) | | | | |
| Basic | 8 | **37.4** | 44.6 | 92.7 |
| Diluted | 8 | **37.2** | 44.0 | 91.2 |

## UNAUDITED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE,

## for the 26 weeks ended 28 February 2009

| | Notes | **26 weeks ended 28 February 2009 £'000 (unaudited)** | 26 weeks ended 1 March 2008 £'000 (unaudited) | 52 weeks ended 30 August 2008 £'000 (audited) |
|---|---|---|---|---|
| Foreign exchange translation differences arising on translation of overseas subsidiaries | | **430** | 107 | 583 |
| Actuarial gains/(losses) on retirement benefit obligation: | | | | |
| - Group | 4 | **2,892** | (1,338) | (11,065) |
| - Share of associate | | **-** | - | (1,193) |
| Taxation (charge)/credit on actuarial movement on retirement benefit obligation: | | | | |
| - Group | | **(810)** | 375 | 3,116 |
| - Share of associate | | **-** | - | 334 |
| **Net income/(expense) recognised directly in equity** | | **2,512** | (856) | (8,225) |
| Profit for the period | | **3,865** | 3,891 | 8,253 |
| **Total recognised income and expense for the period** | 10 | **6,377** | 3,035 | 28 |
| Attributable to minority interest | 10 | **589** | 199 | 545 |
| Attributable to equity shareholders | 10 | **5,788** | 2,836 | (517) |
| | | **6,377** | 3,035 | 28 |

## UNAUDITED CONSOLIDATED BALANCE SHEET,

## as at 28 February 2009

| | Notes | **As at 28 February 2009 £'000 (unaudited)** | As at 1 March 2008 £'000 (unaudited) | As at 30 August 2008 £'000 (audited) |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Goodwill | | **1,381** | 1,016 | 1,381 |
| Other intangible assets | 13 | **275** | 369 | 294 |
| Property, plant and equipment | 13 | **29,409** | 28,075 | 28,596 |
| Investment property | | **728** | 746 | 737 |
| Investment in associate | | **3,488** | 3,276 | 2,870 |
| Interest in joint ventures | | **1,798** | 1,427 | 1,609 |
| Other investments | | **51** | 251 | 51 |
| Financial assets | | | | |
| - Non-current receivables | | **50** | 50 | 50 |
| Deferred tax assets | | **4,721** | 3,222 | 5,318 |
| | | **41,901** | 38,432 | 40,906 |
| **Current assets** | | | | |
| Inventories | | **35,007** | 24,758 | 31,014 |
| Trade and other receivables | | **53,002** | 56,723 | 50,754 |
| Current tax assets | | **-** | - | 65 |
| Financial assets | | | | |
| - Derivative financial instruments | | **219** | 1 | 927 |
| - Cash at bank and in hand | | **3,158** | 467 | 3,896 |
| | | **91,386** | 81,949 | 86,656 |
| **Total assets** | | **133,287** | 120,381 | 127,562 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Financial liabilities | | **(28,992)** | (20,509) | (15,004) |
| - Borrowings | | **(201)** | (65) | (22) |
| - Derivative financial instruments | | **(44,582)** | (46,571) | (52,977) |
| Trade and other payables | | **(1,594)** | (882) | (2,054) |
| Current tax liabilities | | | | |
| | | **(75,369)** | (68,027) | (70,057) |
| **Non-current liabilities** | | | | |
| Financial liabilities | | | | |
| - Borrowings | | **(1,455)** | (6,687) | (6,325) |
| - Derivative financial instruments | | **(27)** | (55) | (14) |
| Retirement benefit obligation | 4 | **(13,322)** | (9,306) | (16,558) |
| Deferred tax liabilities | | **(4,771)** | (3,401) | (4,775) |
| Other non-current liabilities | | **(3,214)** | (2,049) | (2,237) |
| | | **(22,789)** | (21,498) | (29,909) |
| **Total liabilities** | | **(98,158)** | (89,525) | (99,966) |
| **Net assets** | | **35,129** | 30,856 | 27,596 |

| | | | | |
|---|---|---|---|---|
| **Shareholders' equity** | | | | |
| Ordinary shares | 10 | **2,196** | 2,065 | 2,094 |
| Share premium | 10 | **7,738** | 5,099 | 5,252 |
| Treasury share reserve | 10 | **(101)** | (101) | (101) |
| Equity compensation reserve | 10 | **261** | 144 | 206 |
| Foreign exchange reserve | 10 | **540** | (371) | 107 |
| Other reserve | 10 | **1,524** | 1,555 | 1,539 |
| Retained earnings | 10 | **19,757** | 20,198 | 15,880 |
| **Total shareholders' equity** | 10 | **31,915** | 28,589 | 24,977 |
| **Minority interests in equity** | 10 | **3,214** | 2,267 | 2,619 |
| **Total equity** | 10 | **35,129** | 30,856 | 27,596 |

**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT,**

**for the 26 weeks ended 28 February 2009**

| | Notes | **26 weeks ended 28 February 2009 £'000 (unaudited)** | 26 weeks ended 1 March 2008 £'000 (unaudited) | 52 weeks ended 30 August 2008 £'000 (audited) |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Cash (used in)/generated from operations | 11 | **(6,132)** | (7,886) | 5,233 |
| Interest received | | **153** | 282 | 447 |
| Interest paid | | **(880)** | (930) | (2,016) |
| Tax paid | | **(1,679)** | (509) | (647) |
| Net cash (used in)/generated from operating activities | | **(8,538)** | (9,043) | 3,017 |
| **Cash flows from investing activities** | | | | |
| Acquisition of subsidiaries (net of cash acquired) | | **-** | - | (588) |
| Investment in joint ventures | | **-** | (294) | (294) |
| Purchase of intangible assets | | **(4)** | (3) | (4) |
| Proceeds from sale of property, plant and equipment | | **140** | 63 | 177 |
| Purchase of property, plant and equipment | | **(1,776)** | (877) | (2,141) |
| Receipt of non-current receivables | | **-** | 50 | 50 |
| Net cash used in investing activities | | **(1,640)** | (1,061) | (2,800) |
| **Cash flows from financing activities** | | | | |
| Net proceeds from issue of ordinary share capital | 10 | **2,588** | 27 | 209 |
| Net proceeds from issue of new bank loans and other borrowings | | **1,800** | 3,295 | 1,495 |
| Finance lease principal repayments | | **(442)** | (454) | (912) |
| Repayment of borrowings | | **(500)** | (250) | (1,010) |
| Increase in other borrowings | | **2,474** | 106 | 1,872 |
| Disposal of interest rate swap | | **-** | 111 | 111 |
| Dividends paid to shareholders | | **(1,493)** | (1,115) | (1,618) |
| Net cash generated from financing activities | | **4,427** | 1,720 | 147 |
| Effects of exchange rate changes | | **(302)** | 78 | 300 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(6,053)** | (8,306) | 664 |
| Cash and cash equivalents at beginning of the period | | **66** | (598) | (598) |
| **Cash and cash equivalents at end of the period** | | **(5,987)** | (8,904) | 66 |

**Cash and cash equivalents consists of:**

| | Notes | | | |
|---|---|---|---|---|
| Cash at bank and in hand per the balance sheet | 12 | **3,158** | 467 | 3,896 |
| Bank overdrafts included in borrowings | 12 | **(9,145)** | (9,371) | (3,830) |
| | | **(5,987)** | (8,904) | 66 |

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that to the best of their knowledge this condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 (an indication of important events during the first six months and a description of the principal risks and uncertainties for the remaining six months of the year) and DTR 4.2.8 (a disclosure of related party transactions and charges therein) of the Disclosure and Transparency Rules.

The Directors of Carr's Milling Industries PLC are listed in the Carr's Milling Industries PLC Annual Report and Accounts 2008. There have been no changes to the Board of Directors in the financial period.

On behalf of the Board

| | |
|---|---|
| Chris Holmes | Ron Wood |
| Chief Executive | Finance Director |
| 6 April 2009 | 6 April 2009 |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL RESULTS

### 1 Basis of preparation

The financial information for the 26 weeks to 28 February 2009 does not constitute statutory accounts for the purposes of section 240 of the Companies Act 1985 and has been neither audited nor reviewed. No statutory accounts for the period have been delivered to the Registrar of Companies.

The financial information in respect of the 52 weeks ended 30 August 2008 has been produced using extracts from the statutory accounts for this period. Consequently, this does not constitute the statutory information for the 52 weeks ended 30 August 2008, which was audited. The statutory accounts for this period have been filed with the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain a statement under sections 237(2) or (3) of the Companies Act 1985.

The next annual financial statements of the Group, for the 52 weeks to 29 August 2009, will be prepared in accordance with International Financial Reporting Standards as adopted for use in the EU ("IFRS"). This Interim Report has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The Directors approved the Interim Report on 6 April 2009.

The interim financial information has been prepared on the historical cost basis, except for certain assets, which are held at deemed cost, and derivative financial instruments and share-based payments, which are included at fair value.

### 2 Accounting policies

The accounting policies used in the preparation of the financial information for the 26 weeks to 28 February 2009 have been consistently applied to all the periods presented and are set out in full in the Group's financial statements for the 52 weeks ended 30 August 2008. A copy of these financial statements is available from the Company's Registered Office at Old Croft, Stanwix, Carlisle, CA3 9BA.

The following interpretations to published standards are effective for the Group for the financial period ending 29 August 2009:

- IFRIC 12 'Service Concession Arrangements'
- IFRIC 13 'Customer Loyalty Programmes'
- IFRIC 14 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'

The above interpretations to published standards have had no material impact on the results or the financial position of the Group for the 26 weeks to 28 February 2009.

## 3 Segmental information

The segment results for the 26 weeks to 28 February 2009 are as follows:

| | Agriculture £'000 | Food £'000 | Engineering £'000 | Other £'000 | Group £'000 |
|---|---|---|---|---|---|
| Total gross segment revenue | 130,216 | 40,548 | 3,939 | 55 | 174,758 |
| Inter-segment revenue | (50) | (3) | (183) | - | (236) |
| Revenue | 130,166 | 40,545 | 3,756 | 55 | 174,522 |
| Operating profit/(loss) before retirement benefit charge | 4,375 | 1,609 | 507 | (212) | 6,279 |
| Analysed as: | | | | | |
| Before non-recurring items and amortisation | 4,375 | 1,622 | 507 | (212) | 6,292 |
| Non-recurring items and amortisation | - | (13) | - | - | (13) |
| | 4,375 | 1,609 | 507 | (212) | 6,279 |
| Retirement benefit charge | | | | | (907) |
| Interest income | | | | | 143 |
| Interest expense | | | | | (874) |
| Other finance expense | | | | | (148) |
| Share of post-tax profit of associate (Agriculture) | | | | | 618 |
| Share of post-tax profit of joint ventures (Agriculture) | | | | | 139 |
| Profit before taxation | | | | | 5,250 |
| Taxation | | | | | (1,385) |
| Profit for the period | | | | | 3,865 |

The segment results for the 26 weeks to 1 March 2008 are as follows:

| | Agriculture £'000 | Food £'000 | Engineering £'000 | Other £'000 | Group £'000 |
|---|---|---|---|---|---|
| Total gross segment revenue | 118,949 | 39,680 | 3,326 | 70 | 162,025 |
| Inter-segment revenue | (133) | (2) | (24) | - | (159) |
| Revenue | 118,816 | 39,678 | 3,302 | 70 | 161,866 |
| Operating profit/(loss) before retirement benefit charge | 4,024 | 1,112 | 492 | (182) | 5,446 |
| Analysed as: | | | | | |
| Before non-recurring items and amortisation | 4,045 | 1,150 | 492 | (313) | 5,374 |
| Non-recurring items and amortisation | (21) | (38) | - | 131 | 72 |
| | 4,024 | 1,112 | 492 | (182) | 5,446 |
| Retirement benefit charge | | | | | (502) |
| Interest income | | | | | 291 |
| Interest expense | | | | | (971) |
| Other finance expense | | | | | (75) |
| Share of post-tax profit of associate (Agriculture) | | | | | 820 |
| Share of post-tax profit of joint ventures (Agriculture) | | | | | 160 |
| Profit before taxation | | | | | 5,169 |
| Taxation | | | | | (1,278) |
| Profit for the period | | | | | 3,891 |

The segment results for the 52 weeks to 30 August 2008 are as follows:

| | Agriculture £'000 | Food £'000 | Engineering £'000 | Other £'000 | Group £'000 |
|---|---|---|---|---|---|
| Total gross segment revenue | 276,158 | 85,563 | 10,885 | 198 | 372,804 |
| Inter-segment revenue | (331) | (3) | (163) | - | (497) |
| Revenue | 275,827 | 85,560 | 10,722 | 198 | 372,307 |
| Operating profit/(loss) before retirement benefit charge | 11,711 | 1,956 | 1,085 | (817) | 13,935 |
| Analysed as: | | | | | |
| Before non-recurring items and amortisation | 11,752 | 2,012 | 1,060 | (950) | 13,874 |
| Non-recurring items and amortisation | (41) | (56) | 25 | 133 | 61 |
| | 11,711 | 1,956 | 1,085 | (817) | 13,935 |
| Retirement benefit charge | | | | | (1,060) |
| Interest income | | | | | 454 |
| Interest expense | | | | | (2,026) |
| Other finance expense | | | | | (35) |
| Share of post-tax profit of associate (Agriculture) | | | | | 1,273 |
| Share of post-tax profit of joint ventures (Agriculture) | | | | | 317 |
| Profit before taxation | | | | | 12,858 |
| Taxation | | | | | (4,605) |
| Profit for the period | | | | | 8,253 |

Sales of agricultural products are subject to seasonal fluctuation, with higher demand for animal feed in the first six months of the period, whereas sales demand for fertilisers is historically high in the second six months of the period, particularly in the months of March and April.

## 4 Retirement benefit obligation

| | £'000 |
|---|---|
| Deficit in scheme at 31 August 2008 | 16,558 |
| Actuarial gain | (2,892) |
| Contributions by employer | (1,251) |
| Retirement benefit charge | 907 |
| Deficit in scheme at 28 February 2009 | 13,322 |

Actuarial gains of £2,892,000 (2008: losses £1,338,000) have been reported in the Statement of Recognised Income and Expense. The turmoil in the financial markets has resulted in a net positive impact on the deficit during the six months to 28 February 2009. The rise in bond yields and lower inflationary expectations have had a positive impact whereas the returns on the assets have been negative, with a loss of £5.3m in the period.

The triennial actuarial valuation at 1 January 2009 will be reported on in the Annual Report & Accounts for the 52 weeks to 29 August 2009.

The Group's associate's defined pension scheme is closed to future service accrual and the valuation for this Scheme has not been updated as any actuarial movements are not considered to be material.

## 5 Other finance expense

Other finance expense comprises the movement in the fair value of interest rate derivative instruments. The significant reduction in the Bank of England base rate has further reduced the fair value of the Group's interest rate swap agreements. The charge to the Income Statement for the 26 weeks to 28 February 2009 was £148,000 (26 weeks to 1 March 2008: £75,000, 52 weeks to 30 August 2008: £35,000). Details of the interest rate swap agreements can be found in the Annual Report and Accounts 2008.

## 6 Taxation

The tax charges for the 26 weeks ended 28 February 2009 and 1 March 2008 are based on the estimated tax charge for the applicable year.

The tax charge for the 52 weeks to 30 August 2008 reflects the increase of £1,317,000 in the deferred tax charge following the withdrawal of Industrial Buildings Allowances.

## 7 Adjusted operating and pre-tax profit

| | 26 weeks ended | |
|---|---|---|
| | 28 February 2009 | 1 March 2008 |
| | £'000 | £'000 |
| Reported group operating profit | 5,372 | 4,944 |
| Non-recurring items and amortisation | 13 | (72) |
| Operating profit before non-recurring items and amortisation | 5,385 | 4,872 |
| Share of operating profit in associate and joint ventures | 1,130 | 1,557 |
| Adjusted operating profit | 6,515 | 6,429 |
| Net finance costs – group | (879) | (755) |
| Net finance costs – associate and joint ventures | (70) | (116) |
| Adjusted pre-tax profit | 5,566 | 5,558 |

## 8 Earnings per share

The calculation of earnings per ordinary share is based on earnings attributable to shareholders and the weighted average number of ordinary shares in issue during the period.

The adjusted earnings per share figures have been calculated in addition to the earnings per share required by IAS33 – 'Earnings per Share' and is based on earnings excluding the effect of non-recurring items and amortisation of intangible assets. It has been calculated to allow the shareholders to gain an understanding of the underlying performance of the Group. Details of the adjusted earnings per share are set out below:

| | 26 weeks ended | | 52 weeks ended |
|---|---|---|---|
| | 28 February 2009<br>£'000 | 1 March 2008<br>£'000 | 30 August 2008<br>£'000 |
| Earnings | 3,273 | 3,687 | 7,701 |
| Non-recurring items and intangible asset amortisation: | | | |
| Amortisation of intangible assets | 13 | 59 | 118 |
| Net gain on transfer of deferred pensioners from Group scheme | - | (131) | (379) |
| Impairment of trade investment | - | - | 200 |
| Amortisation of intangible asset and impairment of goodwill recognised in joint ventures, net of tax | - | 4 | 4 |
| Taxation arising on the above non-recurring items and amortisation | (4) | 20 | 62 |
| Withdrawal of Industrial Buildings Allowances | - | - | 1,317 |
| Adjusted earnings | 3,282 | 3,639 | 9,023 |
| Weighted average number of ordinary shares in issue | 8,761,759 | 8,258,994 | 8,304,877 |
| Potentially dilutive share options | 38,496 | 128,677 | 137,988 |
| | 8,800,255 | 8,387,671 | 8,442,865 |
| Basic earnings per share | 37.4p | 44.6p | 92.7p |
| Diluted earnings per share | 37.2p | 44.0p | 91.2p |
| Adjusted earnings per share | 37.5p | 44.1p | 108.6p |

## 9 Dividends

| | 26 weeks ended | | 52 weeks ended |
|---|---|---|---|
| | 28 February 2009 £'000 | 1 March 2008 £'000 | 30 August 2008 £'000 |
| Ordinary: Final dividend for the period ended 30 August 2008 of 17.0p per share (2007: 13.5p) | 1,493 | 1,115 | 1,115 |
| Ordinary: Interim dividend of 6.0p per share | - | - | 503 |
| | 1,493 | 1,115 | 1,618 |

The Directors have approved an interim dividend of 6.0p per share (2008: 6.0p per share), which, in line with the requirements of IAS10 – 'Events after the Balance Sheet Date', has not been recognised within these results. This results in an interim dividend of £527,057 (2008: £502,457), which will be paid on 8 May 2009 to shareholders whose names are on the Register of Members at the close of business on 17 April 2009. The ordinary shares will be quoted ex-dividend on 15 April 2009.

## 10 Changes in shareholders' equity and minority interest

| | Attributable to Equity Holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| At 31 August 2008 | 2,094 | 5,252 | (101) | 206 | 107 | 1,539 | 15,880 | 24,977 | 2,619 | 27,596 |
| Total recognised income and expense for the period | - | - | - | - | 433 | - | 5,355 | 5,788 | 589 | 6,377 |
| Dividends paid | - | - | - | - | - | - | (1,493) | (1,493) | - | (1,493) |
| Equity-settled share-based payment transactions, net of tax | - | - | - | 55 | - | - | - | 55 | 6 | 61 |
| Allotment of shares | 102 | 2,486 | - | - | - | - | - | 2,588 | - | 2,588 |
| Transfer | - | - | - | - | - | (15) | 15 | - | - | - |
| **At 28 February 2009** | 2,196 | 7,738 | (101) | 261 | 540 | 1,524 | 19,757 | 31,915 | 3,214 | 35,129 |

On 10 September 2008, £2.6m (net of costs) was raised in a placing of 410,000 new ordinary shares. The issue price was £6.60 per share.

| | Attributable to Equity Holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| At 2 September 2007 | 2,064 | 5,073 | (101) | 95 | (483) | 1,570 | 18,574 | 26,792 | 2,062 | 28,854 |
| Total recognised income and expense for the period | - | - | - | - | 112 | - | 2,724 | 2,836 | 199 | 3,035 |
| Dividends paid | - | - | - | - | - | - | (1,115) | (1,115) | - | (1,115) |
| Equity-settled share-based payment transactions, net of tax | - | - | - | 49 | - | - | - | 49 | 6 | 55 |
| Allotment of shares | 1 | 26 | - | - | - | - | - | 27 | - | 27 |
| Transfer | - | - | - | - | - | (15) | 15 | - | - | - |
| At 1 March 2008 | 2,065 | 5,099 | (101) | 144 | (371) | 1,555 | 20,198 | 28,589 | 2,267 | 30,856 |

| | Attributable to Equity Holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| At 2 September 2007 | 2,064 | 5,073 | (101) | 95 | (483) | 1,570 | 18,574 | 26,792 | 2,062 | 28,854 |
| Total recognised income and expense for the period | - | - | - | - | 590 | - | (1,107) | (517) | 545 | 28 |
| Dividends paid | - | - | - | - | - | - | (1,618) | (1,618) | - | (1,618) |
| Equity-settled share-based payment transactions, net of tax | - | - | - | 111 | - | - | - | 111 | 12 | 123 |
| Share options exercised by employees | 29 | 153 | - | - | - | - | - | 182 | - | 182 |
| Allotment of shares | 1 | 26 | - | - | - | - | - | 27 | - | 27 |
| Transfer | - | - | - | - | - | (31) | 31 | - | - | - |
| At 30 August 2008 | 2,094 | 5,252 | (101) | 206 | 107 | 1,539 | 15,880 | 24,977 | 2,619 | 27,596 |

## 11 Cash flow (used in)/generated from operations

| | 26 weeks ended | | 52 weeks ended |
|---|---|---|---|
| | 28 February 2009 £'000 | 1 March 2008 £'000 | 30 August 2008 £'000 |
| Net profit | 3,865 | 3,891 | 8,253 |
| Adjustments for: | | | |
| Tax | 1,385 | 1,278 | 4,605 |
| Depreciation on property, plant and equipment | 1,730 | 1,662 | 3,318 |
| Loss/(profit) on disposal of property, plant and equipment | 6 | (9) | (43) |
| Depreciation on investment property | 9 | 10 | 19 |
| Intangible asset amortisation | 35 | 78 | 159 |
| Impairment of trade investment | - | - | 200 |
| Net fair value losses/(gains) on derivative financial instruments in operating profit | 752 | 56 | (915) |
| Net fair value loss on share-based payments | 61 | 55 | 123 |
| Net foreign exchange differences | (1) | (49) | 363 |
| Interest income | (143) | (291) | (454) |
| Interest expense and borrowing costs | 879 | 974 | 2,034 |
| Net fair value losses on derivative financial instruments in interest | 148 | 75 | 35 |
| Share of post-tax profits from associate and joint ventures | (757) | (980) | (1,590) |
| IAS19 income statement credit in respect of employer contributions | (1,251) | (1,267) | (2,517) |
| IAS19 income statement charge | 907 | 502 | 1,060 |
| Actuarial provisions in respect of deferred pension members | - | (1,074) | (1,325) |
| Payment to Director in lieu of pension | - | - | (1,532) |
| Changes in working capital (excluding the effects of acquisitions): | | | |
| Increase in inventories | (3,993) | (9,905) | (15,959) |
| Increase in receivables | (2,243) | (21,230) | (15,140) |
| (Decrease)/increase in payables | (7,521) | 18,338 | 24,539 |
| Cash (used in)/generated from continuing operations | (6,132) | (7,886) | 5,233 |

## 12 Analysis of net debt

| | At | | At |
|---|---|---|---|
| | 28 February 2009<br>£'000 | 1 March 2008<br>£'000 | 30 August 2008<br>£'000 |
| Cash and cash equivalents | 3,158 | 467 | 3,896 |
| Bank overdrafts | (9,145) | (9,371) | (3,830) |
| Loans and other borrowings: current | (19,072) | (10,455) | (10,421) |
| Loans and other borrowings: non-current | (539) | (5,901) | (5,408) |
| Finance leases: current | (775) | (683) | (753) |
| Finance leases: non-current | (916) | (786) | (917) |
| | (27,289) | (26,729) | (17,433) |

## 13 Capital expenditure and capital commitments

During the period, the Group incurred capital expenditure on property, plant and equipment of £2,233,000 (2008: £1,276,000) and on intangible assets of £4,000 (2008: £3,000).

During the period, the Group disposed of property, plant and equipment with a net book value of £146,000 (2008: £53,000).

Capital commitments contracted, but not provided for, by the Group at the period end amounted to £43,000 (2008: £380,000).

## 14 Related party transactions

The Group's significant related parties are its associate and joint ventures, as disclosed in the Annual Report and Accounts 2008. There were no material changes to the level of related party transactions during the financial period.

## 15 Post-balance sheet event

On 1 March 2009, after the period end, the Company completed the acquisition of the trade and assets of the remote handling technology, robotics and radiation protection equipment business of Hans Wälischmiller GmbH (the "Business").

The consideration for the Business is €5.5m in cash, of which €2.7m is deferred. The assets acquired comprise the property (€2.0m), plant and machinery (€0.5m), inventory (€2.0m) and all intellectual property and goodwill (€1.0m) of the Business. €2.0m of the deferred consideration is payable by 31 August 2009 and €0.7m on receipt of progress payments on an order for remote handling technology. The consideration is being satisfied by new bank funding and the Group's existing bank facilities.

The Business complements Swindon-based Carrs MSM, which supplies remote handling equipment to the nuclear industry and research establishments. The Business is based in Markdorf in Southern Germany and has 70 employees. Both the Business and Carrs MSM are suppliers to Sellafield Limited (formerly British Nuclear Group Sellafield Limited).

**16** This Interim Report will be sent by post to all registered shareholders. Copies are also available to the public from the Company's registered office: Old Croft, Stanwix, Carlisle, CA3 9BA, or at www.carrs-milling.com