# CARR'S MILLING INDUSTRIES PLC

## INTERIM RESULTS
2011/2012

# CARR'S MILLING INDUSTRIES PLC
# INTERIM MANAGEMENT REPORT

## FINANCIAL REVIEW

The current year is the first following the disposal of the fertiliser blending business in July 2011. During the first 26 weeks ended 3 March 2012, the Group delivered a solid set of results in which revenue increased by 12% to £196.0 million (2011: £175.5 million), reflecting higher oil and feed commodity prices, increased volume in our feed block businesses, and strong sales from our Engineering division. Sales of animal feed and fuels were adversely impacted by milder weather but the prices for beef, lamb and milk remained firm, and our financial performance in the UK and overseas has been positive. In Engineering, we continue to experience strong demand from the nuclear industry which is reflected in our trading performance and a growing order book.

The combination of increased sales and a continuing focus on cost control resulted in an improvement in operating margin to 3.4% (2011: 2.9%) and Group operating profit increasing by 30% to £6.7 million (2011: £5.2 million). Profit before taxation increased by 31% to £7.4 million (2011: £5.7 million).

Fully diluted earnings per share were up 29% to 52.2 pence (2011: 40.4 pence).

The disposal in July 2011 of our fertiliser blending business has significantly reduced the volatility in our cash flow and at 3 March 2012 net cash was £1.6 million compared to net debt of £28.2 million at 26 February 2011.

On 11 November 2011, the Group restructured part of its bank facilities with the Clydesdale Bank and with the exception of the bank overdraft of £5.0 million, which is renewed annually, the other facilities, revolving credit £10.0 million and term loan £2.5 million, are committed through to November 2014.

## SHAREHOLDERS' EQUITY

Shareholders' equity at 3 March 2012 increased by £1.6 million to £58.6 million (3 September 2011: £57.0 million) due mainly to the profit retained by the Group in the period and a small reduction in the Group's defined benefit pension obligation.

## DIVIDEND

A first interim dividend of 7.25 pence per share (2011: 6.5 pence per share) will be paid on 25 May 2012 to shareholders on the register on 4 May 2012. The ex-dividend date will be 2 May 2012.

## BUSINESS REVIEW

### Agriculture

Profit before taxation was up 19% to £5.2 million on revenue up 12% to £147.2 million.

Our global feed block sales were a significant contributor to this good performance. In the US, following the previous year's severe winter weather which prevented delivery in key areas, low-moisture feed block sales were up 40%. Sales volumes also benefited from supply agreements with our joint venture partner in the high moisture feed block plant in Shelbyville, Tennessee, which opened in November 2011. Demand for Crystalyx in New Zealand and Europe continues to grow. Sales of high moisture feed blocks in the UK benefited from the investment in Scotmin Nutrition completed last year and the re-launch of Megalix, the all-year-round supplement for cattle, and Megastart, a product for pre-lambing and pre-calving.

Due to the mild autumn and winter weather sales of our dairy, beef and sheep feeds were down, in line with the market.

Delayed commissioning, as a result of engineering issues, of the new AminoMax feed supplement plant in Watertown, New York State meant that it was not possible to supply AminoMax during the early winter season. The demand for AminoMax, the patented rumen bypass protein which improves the yield and profitability of dairy herds, is encouraging and should make a positive contribution in the next financial year.

Fuel sales volumes were maintained during the period, despite the mild autumn and winter weather, reflecting market share gains following the opening of new depots at Hexham in August 2011 and Cockermouth in February 2012, and a full period of trading from our depot at Lancaster.

Retail sales were ahead of the first half of last year with margins also increasing. This reflects the success of the increased range of animal health products sold through the expanded retail network, including the new branch opened at Stirling in June 2011. Safe at Work, the specialist supplier of protective clothing to the forestry and agricultural markets, was successfully integrated and made a positive contribution to profit and extended the product range across our branch network.

Farmer purchases of fertiliser reduced sales in the first half but we expect most of the sales shortfall to be recovered in the second half.

Sales of agricultural machinery continue to grow, benefiting from the larger range of franchises.

## Food

The trading environment for our three flour mills remains difficult and competition remains intense. In the period wheat prices were once again volatile, with price fluctuations of approximately £35 per tonne, and while sales volumes and sales revenue were both ahead of last year, with revenue up 8% at £41.4 million, margins were lower. Profit before taxation was down 39% at £0.4 million. The new wheat handling facility which re-opened last year at Kirkcaldy, is working well, with the volume of grain through the port significantly exceeding our initial projections.

In recent months there have been signs of further consolidation and rationalisation within the UK milling industry. We are reviewing our own milling operations to ensure that we will be in a position to meet the needs of today’s bakers and food manufacturers as efficiently as possible.

## Engineering

Strong demand both in the UK and overseas is reflected in revenue for the period growing by 33% to £7.4 million with profit before taxation increasing by 175% to £1.6 million.

Specialist fabricators, Bendalls, completed a contract for the supply of pressure vessels to Bechtel in the US for the nuclear decommissioning plant in Handford, Washington State. In the second half, it will complete a major vessel for the Evaporator D project at Sellafield in Cumbria which is the UK’s largest nuclear project.

Bendalls has also won a multi-million pound contract to supply pressure vessels for a floating production storage and offloading platform, being manufactured by Hyundai in South Korea, for the BP Quad 204 area west of the Shetland islands. Work is expected to commence during summer 2012 with delivery early in 2013. MSM achieved sales growth as the result of increased demand largely from Sellafield where it has recently signed a ‘life of plant’ contract for the supply of critical parts which will make a positive contribution to this division going forward.

Wälischmiller, the remote handling technology and robotics business, has been exceptionally busy throughout the period and all contract delivery schedules were met, including the delivery of 3 Telbot specialist robots for a de-commissioning plant in Germany. In addition, significant contracts for master slave manipulators and remote handling equipment were completed for customers in France, Japan and South Korea.

As the result of continuing high demand, and strong order book leading to an increased production requirement, Wälischmiller has expanded its design and production engineering team by 10, taking the total number of employees to 90. Phase I (new office accommodation and some production capacity) of the new €4 million factory at Markdorf is on schedule to complete this summer, after which construction of the new production facility will begin.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Board has identified vulnerabilities specific to the Group's activities, whose converse gives rise to potential upside. The principal risks and uncertainties are set out in detail on pages 16 and 17 of the Report & Accounts for the year ended 3 September 2011 and remain the same as the prior year.

The principal risks and uncertainties are not expected to change materially in the remainder of the year and can be summarised as follows:

- Failure to act safely and to maintain the continued safe operation of our facilities and quality of products;
- Failure to attract, develop and retain key personnel;
- Non-compliance with legislation and regulation;
- Fluctuations in prices, offtake and availability of raw materials, energy, freight and other operating inputs;
- Failure to protect intellectual property;
- Failure to maintain high standards of customer service and identify important customer trends;
- Failure to maintain an effective system of internal financial controls;
- Managing procurement costs.

## OUTLOOK

The Group delivered an excellent performance in the first half, with profit before taxation from continuing operations up by 31%, in mixed market conditions. The integration of our expanded retail branch operations and the opening of two fuel depots in recent months emphasises the determination and confidence of the Group to invest and deliver growth.

The Agriculture division, the largest sector of the Group, remains well placed to continue playing an important role in the UK and US agricultural markets, due to its broad range of products and investment in technology. The population growth is creating the need for improved farmer productivity and underlines and supports our investment in feed technology and animal health products.

The level of over-capacity in the UK flour market continues to present management with challenges and we anticipate that the Food division will, at best, sustain its first half performance in the second half.

Our Engineering business has major contracts to be completed in the second half of the year and beyond and strives to ensure that all contracts are delivered on time meeting customer expectations.

The Board continues to view the outlook for the remainder of the year positively and believes that the results for the year ending 1 September 2012 will be ahead of the expectations that the Company had at the beginning of the year.

Chris Holmes
Chief Executive Officer
24 April 2012

## UNAUDITED CONSOLIDATED INCOME STATEMENT
## for the 26 weeks ended 3 March 2012

| | Notes | **26 weeks ended 3 March 2012 £'000 (unaudited)** | 26 weeks ended 26 February 2011 £'000 (unaudited) | 53 weeks ended 3 September 2011 £'000 (audited) |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| **Revenue** | 3 | **196,049** | 175,502 | 373,318 |
| Cost of sales | | **(173,672)** | (153,804) | (332,202) |
| **Gross profit** | | **22,377** | 21,698 | 41,116 |
| Net operating expenses | | **(15,662)** | (16,526) | (31,960) |
| **Group operating profit** | | **6,715** | 5,172 | 9,156 |
| Profit on disposal of property and investment | | **321** | - | - |
| Finance income | | **308** | 163 | 410 |
| Finance costs | | **(668)** | (590) | (1,332) |
| Share of post-tax profit in associate and joint ventures | | **768** | 948 | 1,776 |
| **Profit before taxation** | 3 | **7,444** | 5,693 | 10,010 |
| Taxation | 5 | **(1,857)** | (1,272) | (1,973) |
| **Profit for the period from continuing operations** | | **5,587** | 4,421 | 8,037 |
| **Discontinued operations** | | | | |
| (Loss)/profit for the period from discontinued operations | | **(202)** | 1,582 | 16,598 |
| **Profit for the period** | | **5,385** | 6,003 | 24,635 |
| **Profit attributable to:** | | | | |
| Equity shareholders | | **4,584** | 5,154 | 23,381 |
| Minority interests | | **801** | 849 | 1,254 |
| | | **5,385** | 6,003 | 24,635 |
| **Dividend per share (pence)** | | | | |
| Paid | 7 | **19.5** | 18.0 | 24.5 |
| Proposed | 7 | **7.25** | 6.5 | 13.0 |
| **Basic earnings per share (pence)** | | | | |
| Profit from continuing operations | 6 | **54.0** | 40.6 | 77.0 |
| (Loss)/profit from discontinued operations | 6 | **(2.3)** | 18.0 | 188.4 |
| | | **51.7** | 58.6 | 265.4 |
| **Diluted earnings per share (pence)** | | | | |
| Profit from continuing operations | 6 | **52.2** | 40.4 | 76.3 |
| (Loss)/profit from discontinued operations | 6 | **(2.2)** | 17.9 | 186.6 |
| | | **50.0** | 58.3 | 262.9 |

# UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## for the 26 weeks ended 3 March 2012

| | Notes | **26 weeks ended 3 March 2012 £'000 (unaudited)** | 26 weeks ended 26 February 2011 £'000 (unaudited) | 53 weeks ended 3 September 2011 £'000 (audited) |
|---|---|---|---|---|
| **Profit for the period** | | **5,385** | 6,003 | 24,635 |
| **Other comprehensive income** | | | | |
| Foreign exchange translation (losses)/gains arising on translation of overseas subsidiaries | | **(82)** | (6) | 57 |
| Actuarial (losses)/gains on retirement benefit obligation: | | | | |
| - Group | 4 | **(1,621)** | 2,979 | 726 |
| - Share of associate | | **-** | - | (27) |
| Taxation credit/(charge) on actuarial movement on retirement benefit obligation: | | | | |
| - Group | | **405** | (775) | (182) |
| - Share of associate | | **-** | - | 7 |
| **Other comprehensive (expense)/ income for the period, net of tax** | | **(1,298)** | 2,198 | 581 |
| **Total comprehensive income for the period** | | **4,087** | 8,201 | 25,216 |
| **Total comprehensive income attributable to:** | | | | |
| Equity shareholders | | **3,286** | 7,353 | 23,964 |
| Minority interests | | **801** | 848 | 1,252 |
| | | **4,087** | 8,201 | 25,216 |

# UNAUDITED CONSOLIDATED BALANCE SHEET
## as at 3 March 2012

| | Notes | As at 3 March 2012 £'000 (unaudited) | As at 26 February 2011 £'000 (unaudited) | As at 3 September 2011 £'000 (audited) |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Goodwill | | **4,558** | 4,679 | 4,558 |
| Other intangible assets | 10 | **890** | 1,207 | 1,029 |
| Property, plant and equipment | 10 | **32,192** | 32,494 | 31,519 |
| Investment property | 10 | **705** | 775 | 764 |
| Investment in associate | | **4,897** | 3,518 | 4,246 |
| Interest in joint ventures | | **2,578** | 2,414 | 2,519 |
| Other investments | | **71** | 69 | 67 |
| Financial assets | | | | |
| - Non-current receivables | | **2** | 5 | 2 |
| Deferred tax assets | | **2,583** | 2,798 | 2,519 |
| | | **48,476** | 47,959 | 47,223 |
| **Current assets** | | | | |
| Inventories | | **30,400** | 47,841 | 22,793 |
| Trade and other receivables | | **59,282** | 68,800 | 56,988 |
| Current tax assets | | **-** | - | 9 |
| Financial assets | | | | |
| - Derivative financial instruments | | **2** | 139 | - |
| - Cash at bank and in hand | | **28,236** | 11,599 | 33,282 |
| | | **117,920** | 128,379 | 113,072 |
| **Total assets** | | **166,396** | 176,338 | 160,295 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Financial liabilities | | | | |
| - Borrowings | | **(14,877)** | (22,313) | (26,436) |
| - Derivative financial instruments | | **(47)** | - | - |
| Trade and other payables | | **(59,153)** | (74,348) | (53,469) |
| Current tax liabilities | | **(1,754)** | (2,031) | (1,688) |
| | | **(75,831)** | (98,692) | (81,593) |
| **Non-current liabilities** | | | | |
| Financial liabilities | | | | |
| - Borrowings | | **(11,731)** | (17,478) | (2,274) |
| Retirement benefit obligation | 4 | **(5,499)** | (6,701) | (5,960) |
| Deferred tax liabilities | | **(3,990)** | (4,749) | (4,007) |
| Other non-current liabilities | | **(4,083)** | (2,743) | (3,617) |
| | | **(25,303)** | (31,671) | (15,858) |
| **Total liabilities** | | **(101,134)** | (130,363) | (97,451) |
| **Net assets** | | **65,262** | 45,975 | 62,844 |
| **Shareholders' equity** | | | | |
| Called-up share capital | | **2,218** | 2,200 | 2,216 |
| Share premium | | **8,090** | 7,769 | 8,059 |
| Treasury share reserve | | **-** | (101) | - |
| Equity compensation reserve | | **98** | 173 | 84 |
| Foreign exchange reserve | | **278** | 296 | 360 |
| Other reserve | | **907** | 1,462 | 913 |
| Retained earnings | | **46,994** | 28,715 | 45,343 |
| **Total shareholders' equity** | | **58,585** | 40,514 | 56,975 |
| Minority interests in equity | | **6,677** | 5,461 | 5,869 |
| **Total equity** | | **65,262** | 45,975 | 62,844 |

# UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## for the 26 weeks ended 3 March 2012

| | Called-up 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 Equity £'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| At 4 September 2011 | 2,216 | 8,059 | - | 84 | 360 | 913 | 45,343 | 56,975 | 5,869 | 62,844 |
| Profit for the period | - | - | - | - | - | - | 4,584 | 4,584 | 801 | 5,385 |
| Other comprehensive income | - | - | - | - | (82) | - | (1,216) | (1,298) | - | (1,298) |
| Total comprehensive income | - | - | - | - | (82) | - | 3,368 | 3,286 | 801 | 4,087 |
| Dividends paid | - | - | - | - | - | - | (1,729) | (1,729) | - | (1,729) |
| Equity-settled share-based payment transactions, net of tax | - | - | - | 14 | - | - | 6 | 20 | 7 | 27 |
| Allotment of shares | 2 | 31 | - | - | - | - | - | 33 | - | 33 |
| Transfer | - | - | - | - | - | (6) | 6 | - | - | - |
| **At 3 March 2012** | **2,218** | **8,090** | **-** | **98** | **278** | **907** | **46,994** | **58,585** | **6,677** | **65,262** |
| | | | | | | | | | | |
| At 29 August 2010 | 2,196 | 7,738 | (101) | 170 | 301 | 1,477 | 22,925 | 34,706 | 4,613 | 39,319 |
| Profit for the period | - | - | - | - | - | - | 5,154 | 5,154 | 849 | 6,003 |
| Other comprehensive Income | - | - | - | - | (5) | - | 2,204 | 2,199 | (1) | 2,198 |
| Total comprehensive Income | - | - | - | - | (5) | - | 7,358 | 7,353 | 848 | 8,201 |
| Dividends paid | - | - | - | - | - | - | (1,583) | (1,583) | - | (1,583) |
| Equity-settled share-based payment transactions, net of tax | - | - | - | 3 | - | - | - | 3 | - | 3 |
| Allotment of shares | 4 | 31 | - | - | - | - | - | 35 | - | 35 |
| Transfer | - | - | - | - | - | (15) | 15 | - | - | - |
| At 26 February 2011 | 2,200 | 7,769 | (101) | 173 | 296 | 1,462 | 28,715 | 40,514 | 5,461 | 45,975 |
| | | | | | | | | | | |
| At 29 August 2010 | 2,196 | 7,738 | (101) | 170 | 301 | 1,477 | 22,925 | 34,706 | 4,613 | 39,319 |
| Profit for the period | - | - | - | - | - | - | 23,381 | 23,381 | 1,254 | 24,635 |
| Other comprehensive Income | - | - | - | - | 59 | - | 524 | 583 | (2) | 581 |
| Total comprehensive Income | - | - | - | - | 59 | - | 23,905 | 23,964 | 1,252 | 25,216 |
| Dividends paid | - | - | - | - | - | - | (2,155) | (2,155) | - | (2,155) |
| Equity-settled share-based payment transactions, net of tax | - | - | - | (86) | - | - | 104 | 18 | 4 | 22 |
| Allotment of shares | 20 | 321 | - | - | - | - | - | 341 | - | 341 |
| Utilisation of shares | - | - | 101 | - | - | - | - | 101 | - | 101 |
| Transfer | - | - | - | - | - | (564) | 564 | - | - | - |
| At 3 September 2011 | 2,216 | 8,059 | - | 84 | 360 | 913 | 45,343 | 56,975 | 5,869 | 62,844 |

# UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
## for the 26 weeks ended 3 March 2012

| | Notes | 26 weeks ended 3 March 2012 £'000 (unaudited) | 26 weeks ended 26 February 2011 £'000 (unaudited) | 53 weeks ended 3 September 2011 £'000 (audited) |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Cash generated from continuing operations | 8 | **4,569** | 4,242 | 14,097 |
| Interest received | | **237** | 180 | 403 |
| Interest paid | | **(737)** | (632) | (1,378) |
| Tax paid | | **(1,409)** | (711) | (1,711) |
| **Net cash generated from operating activities in continuing operations** | | **2,660** | 3,079 | 11,411 |
| Net cash used in operating activities in discontinued operations | | **-** | (11,231) | (3,202) |
| **Net cash generated from/(used in) operating activities** | | **2,660** | (8,152) | 8,209 |
| **Cash flows from investing activities** | | | | |
| Acquisition of subsidiaries (net of cash acquired) | | **-** | (723) | (1,833) |
| Disposal of subsidiary (including overdraft disposed) | | **(350)** | - | 22,074 |
| Disposal of trade | | **-** | 160 | 160 |
| Loan to joint ventures | | **(684)** | - | (1,286) |
| Loan repaid by share trust | | **-** | - | 83 |
| Purchase of intangible assets | | **(26)** | (28) | (45) |
| Proceeds from sale of property, plant and equipment | | **450** | 122 | 287 |
| Proceeds from sale of investment property | | **94** | - | - |
| Purchase of property, plant and equipment | | **(2,434)** | (1,866) | (5,025) |
| Purchase of investments | | **(4)** | - | (1) |
| Disposal of investments | | **107** | - | 3 |
| **Net cash (used in)/generated from investing activities in continuing operations** | | **(2,847)** | (2,335) | 14,417 |
| Net cash used in investing activities in discontinued operations | | **-** | (315) | (397) |
| **Net cash (used in)/generated from investing activities** | | **(2,847)** | (2,650) | 14,020 |
| **Cash flows from financing activities** | | | | |
| Proceeds from issue of ordinary share capital | | **33** | 35 | 341 |
| Net proceeds from issue of new bank loans | | **2,381** | - | - |
| Finance lease principal repayments | | **(469)** | (388) | (868) |
| Repayment of borrowings | | **(5,661)** | (801) | (3,355) |
| Increase in other borrowings | | **1,439** | 4,702 | 2,295 |
| Dividends paid to shareholders | | **(1,729)** | (1,583) | (2,155) |
| Receipt of grant income | | **-** | - | 830 |
| **Net cash (used in)/generated from financing activities in continuing operations** | | **(4,006)** | 1,965 | (2,912) |
| Net cash used in financing activities in discontinued operations | | **-** | (117) | (207) |
| **Net cash (used in)/generated from financing activities** | | **(4,006)** | 1,848 | (3,119) |
| Effects of exchange rate changes | | **(42)** | 30 | 71 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(4,235)** | (8,924) | 19,181 |
| Cash and cash equivalents at beginning of the period | | **32,449** | 13,268 | 13,268 |
| **Cash and cash equivalents at end of the period** | | **28,214** | 4,344 | 32,449 |
| **Cash and cash equivalents consist of:** | | | | |
| Cash at bank and in hand per the balance sheet | 9 | **28,236** | 11,599 | 33,282 |
| Bank overdrafts included in borrowings | 9 | **(22)** | (7,255) | (833) |
| | | **28,214** | 4,344 | 32,449 |

## 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 2011. 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 |
| 24 April 2012 | 24 April 2012 |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL RESULTS

### 1. Basis of preparation

This interim report was approved by the Directors on 24 April 2012 and has been prepared in accordance with the Disclosure and Transparency Rules of the UK's Financial Services Authority and the requirements of IAS 34 'Interim Financial Reporting' as adopted by the European Union. The information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 and has been neither audited nor reviewed. No statutory accounts for the period have been delivered to the Registrar of Companies.

The interim financial information has been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The statutory accounts for the year ended 3 September 2011 prepared under IFRS as adopted by the European Union have been filed with the Registrar of Companies. The report of the auditors was not qualified and did not contain a statement under Section 498 of the Companies Act 2006.

### 2. Accounting policies

The accounting policies used in the preparation of the financial information for the 26 weeks to 3 March 2012 have been consistently applied to all the periods presented and are set out in full in the Group's financial statements for the 53 weeks ended 3 September 2011. A copy of these financial statements is available from the Company's Registered Office at Old Croft, Stanwix, Carlisle, CA3 9BA.

The following accounting standards, amendments and interpretations are not yet effective and have not been adopted early by the Group:

| | |
|---|---|
| **International Financial Reporting Standards ("IFRS")** | |
| IFRS 9: 'Financial instruments' | 1 January 2015 |
| IFRS 10: 'Consolidated financial statements' | 1 January 2013 |
| IFRS 11: 'Joint arrangements' | 1 January 2013 |
| IFRS 12: 'Disclosures of interests in other entities' | 1 January 2013 |
| IFRS 13: 'Fair value measurement' | 1 January 2013 |
| IAS 27 (revised 2011): 'Separate financial statements' | 1 January 2013 |
| IAS 28 (revised 2011): 'Associates and joint ventures' | 1 January 2013 |
| | |
| **Amendments to existing standards** | |
| Amendment to IFRS 1: 'First time adoption' on government grants | 1 July 2013 |
| Amendment to IFRS 7 on Financial instruments asset and liability offsetting | 1 July 2013 |

**Amendments to existing standards (continued)**

| | |
|---|---|
| Amendment to IAS 1: 'Presentation of financial statements' on OCI | 1 July 2012 |
| Amendment to IAS 12: 'Income taxes' on deferred tax | 1 January 2012 |
| Amendment to IAS 19 (revised 2011): 'Employee benefits' | 1 January 2013 |
| Amendment to IAS 32 on Financial instruments asset and liability offsetting | 1 July 2014 |

From 3 September 2011 the following standards, amendments and interpretations became effective and were adopted by the Group:

**International Financial Reporting Standards**

| | |
|---|---|
| IAS 24 (revised): 'Related party disclosures' | 1 January 2011 |

**Amendments to existing standards**

| | |
|---|---|
| Annual improvements to IFRSs 2010 | 1 January 2011 |
| Amendment to IFRS 1: 'Hyperinflation and fixed dates' | 1 July 2011 |
| Amendment to IFRS 7: 'Financial instruments: Disclosures' | 1 July 2011 |
| Amendment to IFRIC 14: 'Pre-payments of a Minimum Funding Requirement' | 1 January 2011 |

The adoption of these standards, amendments and interpretations has not had a material effect on the net assets, results and disclosures of the Group.

## 3. Segmental information

The chief operating decision maker (CODM) has been identified as the Board of Directors. Management has identified the operating segments based on internal financial information reviewed by the Board. The Board considers the business from a products/services perspective. Operating segments have been identified as Agriculture, Food and Engineering. After the disposal of Carrs Fertilisers, the remaining businesses in what was our Agriculture Manufacturing segment do not have the scale to be reported as a separate segment. We have therefore combined Agriculture Manufacturing and Agriculture Trading businesses into a single segment for reporting continuing operations. Operating segments have not been aggregated for the purpose of determining reportable segments.

Performance is assessed using profit before taxation. For internal purposes, profit before taxation is measured in a manner consistent with that in the financial statements, with the exception of material non-recurring items, which are excluded.

Inter-segmental transactions are all undertaken on an arm's length basis.

Adjustments to segmental information represents non-reportable segments and consolidation adjustments.

The segment results for the 26 weeks to 3 March 2012 are as follows:

| | Agriculture £'000 | Food £'000 | Engineering £'000 | Group £'000 |
|---|---|---|---|---|
| Revenues from external customers | 147,205 | 41,382 | 7,438 | 196,025 |
| Other adjustments | | | | 24 |
| | | | | 196,049 |
| Revenues from other operating segments | 25 | 2 | 30 | 57 |
| Elimination of inter segment revenues | | | | (57) |
| | | | | - |
| Profit before taxation | 5,166 | 404 | 1,575 | 7,145 |
| Head office net expense | | | | (428) |
| Retirement benefit charge | | | | (298) |
| Other adjustments | | | | (64) |
| Profit on disposal of property and investment | | | | 321 |
| Share of post-tax profit of associate | | | | 651 |
| Share of post-tax profit of joint ventures | | | | 117 |
| Profit before taxation from continuing operations | | | | 7,444 |

## Assets

| | Agriculture £'000 | Food £'000 | Engineering £'000 | Group £'000 |
|---|---|---|---|---|
| Segment assets | **55,569** | **16,901** | **7,390** | **79,860** |
| Adjustments | | | | **(103)** |
| Other current assets: | | | | |
| Other receivables | | | | **9,925** |
| Derivative financial instruments | | | | **2** |
| Cash and cash equivalents | | | | **28,236** |
| Non-current assets | | | | **48,476** |
| Total assets | | | | **166,396** |

## The segment results for the 26 weeks to 26 February 2011 (restated) are as follows:

| | Agriculture £'000 | Food £'000 | Engineering £'000 | Group £'000 |
|---|---|---|---|---|
| Revenues from external customers | 131,567 | 38,312 | 5,605 | 175,484 |
| Other adjustments | | | | 18 |
| | | | | 175,502 |
| Revenues from other operating segments | 238 | 3 | 30 | 271 |
| Elimination of inter segment revenues | | | | (271) |
| | | | | - |
| Profit before taxation | 4,357 | 662 | 573 | 5,592 |
| Head office net expense | | | | (419) |
| Retirement benefit charge | | | | (344) |
| Other adjustments | | | | (84) |
| Share of post-tax profit of associate | | | | 707 |
| Share of post-tax profit of joint ventures | | | | 241 |
| Profit before taxation from continuing operations | | | | 5,693 |

## Assets

| | Agriculture £'000 | Food £'000 | Engineering £'000 | Group £'000 |
|---|---|---|---|---|
| Segment assets | 85,559 | 17,546 | 12,707 | 115,812 |
| Adjustments | | | | (5,620) |
| Other current assets: | | | | |
| Other receivables | | | | 6,449 |
| Derivative financial instruments | | | | 139 |
| Cash and cash equivalents | | | | 11,599 |
| Non-current assets | | | | 47,959 |
| Total assets | | | | 176,338 |

## The segment results for the 53 weeks to 3 September 2011 are as follows:

| | Agriculture £'000 | Food £'000 | Engineering £'000 | Group £'000 |
|---|---|---|---|---|
| Revenues from external customers | 272,678 | 82,602 | 18,000 | 373,280 |
| Other adjustments | | | | 38 |
| | | | | 373,318 |
| Revenues from other operating segments | 108 | 5 | 72 | 185 |
| Elimination of inter segment revenues | | | | (185) |
| | | | | - |
| Profit before taxation | 6,429 | 1,258 | 1,657 | 9,344 |
| Head office net expense | | | | (394) |
| Retirement benefit charge | | | | (742) |
| Other adjustments | | | | 26 |
| Share of post-tax profit of associate | | | | 1,455 |
| Share of post-tax profit of joint ventures | | | | 321 |
| Profit before taxation from continuing operations | | | | 10,010 |

## Assets

| | Agriculture £'000 | Food £'000 | Engineering £'000 | Group £'000 |
|---|---|---|---|---|
| Segment assets | 44,402 | 18,578 | 7,690 | 70,670 |
| Adjustments | | | | (64) |
| Other current assets: | | | | |
| Other receivables | | | | 9,175 |
| Current tax assets | | | | 9 |
| Cash and cash equivalents | | | | 33,282 |
| Non-current assets | | | | 47,223 |
| Total assets | | | | 160,295 |

Sales of agricultural products are subject to seasonal fluctuations, with higher demand for animal feed in the first six months of the period.

## 4. Retirement benefit obligation

| | **£'000** |
|---|---|
| Deficit in scheme at 3 September 2011 | 5,960 |
| Actuarial loss | 1,621 |
| Contributions by employer | (2,380) |
| Retirement benefit charge | 298 |
| **Deficit in scheme at 3 March 2012** | **5,499** |

Actuarial losses of £1,621,000 (2011: gains of £2,979,000) have been reported in the Statement of Comprehensive Income. The loss reflects a reduction in the discount rate due to the reduction in bond yields in the six month period.

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

## 5. Taxation

The tax charges for the 26 weeks ended 3 March 2012 and 26 February 2011 are based on the estimated tax charge for the applicable year.

## 6. 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 net of the related tax adjustment. 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 3 March 2012 £'000** | 26 weeks ended 26 February 2011 £'000 | 53 weeks ended 3 September 2011 £'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Earnings | **4,786** | 3,572 | 6,783 |
| Amortisation and non-recurring items: | | | |
| Amortisation of intangible assets | **142** | 271 | 480 |
| Taxation relief on amortisation | **(37)** | (76) | (124) |
| Profit on disposal of property and investment | **(321)** | - | - |
| Taxation on disposal of property and investment | **42** | - | - |
| Impairment of goodwill | - | - | 325 |
| Impairment of property, plant and equipment | - | - | 324 |
| Taxation relief on impairment | - | - | (81) |
| Reorganisation costs of acquired business | - | - | 292 |
| Taxation relief on reorganisation costs | - | - | (77) |
| Profit on disposal of trade | - | (190) | (190) |
| Taxation on disposal of trade | - | 52 | 52 |
| Earnings – adjusted | **4,612** | 3,629 | 7,784 |
| **Discontinued operations** | | | |
| Earnings – basic and adjusted | **(202)** | 1,582 | 16,598 |
| | **4,410** | 5,211 | 24,382 |
| Weighted average number of ordinary shares in issue | **8,867,226** | 8,793,763 | 8,808,156 |
| Potentially dilutive share options | **305,262** | 47,197 | 86,727 |
| | **9,172,488** | 8,840,960 | 8,894,883 |
| **Continuing operations** | | | |
| Basic earnings per share | **54.0p** | 40.6p | 77.0p |
| Diluted earnings per share | **52.2p** | 40.4p | 76.3p |
| Adjusted earnings per share | **52.0p** | 41.3p | 88.4p |
| **Discontinued operations** | | | |
| Basic earnings per share | **(2.3)p** | 18.0p | 188.4p |
| Diluted earnings per share | **(2.2)p** | 17.9p | 186.6p |
| Adjusted earnings per share | **(2.3)p** | 18.0p | 188.4p |

## 7. Dividends

| | 26 weeks ended 3 March 2012 £'000 | 26 weeks ended 26 February 2011 £'000 | 53 weeks ended 3 September 2011 £'000 |
|---|---|---|---|
| Second interim paid for the period ended 3 September 2011 of 6.5p per 25.0p share (2010: 6.0p) | **576** | 527 | 527 |
| Final dividend for the period ended 3 September 2011 of 13.0p per 25.0p share (2010: 12.0p) | **1,153** | 1,056 | 1,056 |
| First interim paid for the period ending 1 September 2012 of 7.25p per 25.0p share (2011: 6.5p) | **-** | - | 572 |
| | **1,729** | 1,583 | 2,155 |

The Directors have approved an interim dividend of 7.25p per share (2011: 6.5p 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 £643,078 (2011: £571,986), which will be paid on 25 May 2012 to shareholders whose names are on the Register of Members at the close of business on 4 May 2012. The ordinary shares will be quoted ex-dividend on 2 May 2012.

## 8. Cash flow generated from continuing operations

| | 26 weeks ended 3 March 2012 £'000 | 26 weeks ended 26 February 2011 £'000 | 53 weeks ended 3 September 2011 £'000 |
|---|---|---|---|
| **Profit for the period from continuing operations** | **5,587** | 4,421 | 8,037 |
| Adjustments for: | | | |
| Tax | **1,857** | 1,272 | 1,973 |
| Depreciation of property, plant and equipment | **2,111** | 1,907 | 3,923 |
| Impairment of property, plant and equipment | **-** | - | 324 |
| Amounts written off property, plant and equipment | **-** | - | 28 |
| Profit on disposal of property, plant and equipment | **(202)** | (5) | (10) |
| Depreciation of investment property | **10** | 9 | 20 |
| Profit on disposal of investment property | **(45)** | - | - |
| Intangible asset amortisation | **142** | 271 | 480 |
| Intangible asset impairment | **-** | - | 325 |
| Profit on disposal of investment | **(107)** | - | (2) |
| Profit on disposal of trade | **-** | (190) | (190) |
| Loan forgiven in the period | **-** | - | (40) |
| Net fair value losses on derivative financial instruments in operating profit | **45** | - | - |
| Net fair value loss on share-based payments | **26** | 3 | 20 |
| Net foreign exchange differences | **23** | 100 | 18 |
| Interest income | **(308)** | (163) | (410) |
| Interest expense and borrowing costs | **709** | 613 | 1,424 |
| Share of post-tax profits from associate and joint ventures | **(768)** | (948) | (1,776) |
| IAS19 income statement credit in respect of employer contributions | **(2,380)** | (1,409) | (4,801) |
| IAS19 income statement charge | **298** | 344 | 742 |
| Changes in working capital (excluding the effects of acquisitions and disposal): | | | |
| Increase in inventories | **(7,607)** | (10,186) | (205) |
| Increase in receivables | **(1,511)** | (14,100) | (14,591) |
| Increase in payables | **6,689** | 22,303 | 18,808 |
| Cash generated from continuing operations | **4,569** | 4,242 | 14,097 |

## 9. Analysis of net debt

| | At 3 March 2012 £'000 | At 26 February 2011 £'000 | At 3 September 2011 £'000 |
|---|---|---|---|
| Cash and cash equivalents | **28,236** | 11,599 | 33,282 |
| Bank overdrafts | **(22)** | (7,255) | (833) |
| Loans and other borrowings: current | **(13,675)** | (14,406) | (24,931) |
| Loans and other borrowings: non-current | **(10,681)** | (16,623) | (1,225) |
| Finance leases: current | **(1,180)** | (652) | (672) |
| Finance leases: non-current | **(1,050)** | (855) | (1,049) |
| | **1,628** | (28,192) | 4,572 |

## 10. Capital expenditure and capital commitments

During the period, the Group incurred capital expenditure on property, plant and equipment of £3,091,000 (2011: £2,114,000) and on intangible assets of £26,000 (2011: £28,000).

During the period, the Group disposed of property, plant and equipment with a net book amount of £248,000 (2011: £122,000), and investment property with a net book amount of £49,000 (2011: £nil).

Capital commitments contracted, but not provided for, by the Group at the period end amounts to £2,086,000 (2011: £94,000).

## 11. Related party transactions

The Group's significant related parties are its associate and joint ventures, as disclosed in the Annual Report and Accounts 2011.

Transactions and balances with the associate and joint ventures were all undertaken on an arm's length basis in the normal course of business and are as follows:

### For the period to 3 March 2012

| | **Sales to £'000** | **Purchases from £'000** | **Rent receivable from £'000** | **Management charges from £'000** | **Amounts owed from £'000** | **Amounts owed to £'000** |
|---|---|---|---|---|---|---|
| Associate | **202** | **(45,894)** | **10** | **8** | **107** | **(13,186)** |
| Joint ventures | **22** | **-** | **-** | **30** | **2,529** | **(1)** |

### For the period to 26 February 2011

| | Sales to £'000 | Purchases from £'000 | Rent receivable from £'000 | Management charges from £'000 | Amounts owed from £'000 | Amounts owed to £'000 |
|---|---|---|---|---|---|---|
| Associate | 283 | (44,959) | 9 | 7 | 94 | (17,092) |
| Joint ventures | 14 | - | - | 29 | 423 | - |

Transactions and balances with subsidiaries have been eliminated on consolidation and are not disclosed in this note.

**12.** 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

## NOTES

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