### Directors' Report
The directors present their Annual Report together with the audited financial statements for the year ended 2 September 2000.

### Principal Activities
The principal activities and the development of the Group are described in the Chairman's Statement and the Chief Executive's Review on pages 2 to 6. The financial statements for the year ended 2 September 2000, including other information about the Group's financial position, are set out on pages 22 to 45.

### Dividends
The directors recommend a final dividend on ordinary shares in respect of the year ended 2 September 2000 of 6.0p per share (1999: 5.0p per share) payable on 24 January 2001 to shareholders on the register on 3 January 2001, which with the interim dividend of 3.0p per share (1999: 3.0p per share) paid on 2 June 2000 absorbs £720,000.

### Share Capital
There was no change in the number of ordinary shares in issue during the year.

### Litigation
The directors continued to vigorously defend a lawsuit against Animal Feed Supplement, Inc. ("AFS") alleging trademark infringement.

In Autumn 1999 the case entered the final stages of "fact discovery" during which the parties exchanged factual information relevant to the action. Our attorneys argued our motion for summary judgement which is essentially a motion to dismiss the case. In May 2000 the Courts ruled in our favour and granted AFS summary judgement in all Trade Mark related matters. Discussions are ongoing and AFS anticipate the matter being resolved by means of a settlement agreement.

### Post Balance Sheet Event
On 14 September 2000, a group subsidiary acquired the share capital of Central Farmers (2000) Limited for a nominal consideration. This new company based in Fife, Scotland is to supply animal feed, fertiliser and other agricultural products to the farming community in Central Scotland.

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

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

It is the policy of the Group to give full and fair consideration to suitable applications for employment from disabled persons where they have the necessary abilities and skills for the position. Where possible arrangements are made for the continuing employment of employees who have become disabled.

# directors' report

## Directors

The directors of the Company at 2 September 2000 have been directors for the whole of the year ended on that date. Mr J E Tudor retired from the Board in November 1999.

In accordance with the Company's Articles of Association, Mr A R Heygate retires by rotation at the forthcoming annual general meeting and being eligible, offers himself for re-election. Mr A R Heygate has a contract which expires on 31 August 2001.

Biographical details of the non-executive directors are shown below:

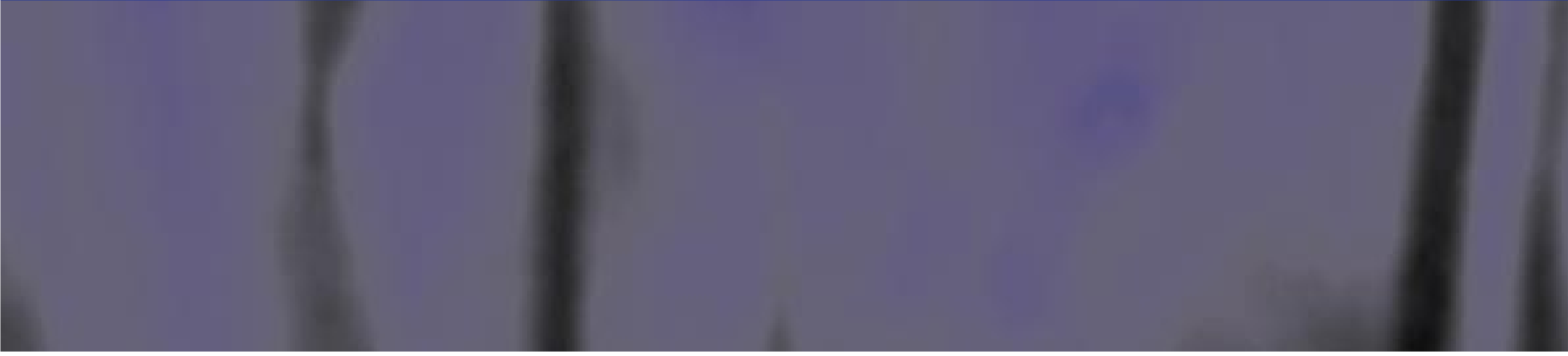
Mr D A Newton (58) held many senior executive positions with Hillsdown Holdings plc and was Chief Executive for a number of years until his retirement in September 1996. He is also a director of a number of other publicly quoted companies and private companies.

Mr A R Heygate (55) 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.

## Directors' Interests

Particulars of the directors' beneficial holdings in the Ordinary share capital of the Company are as follows:

| | On 2 September 2000 | On 29 August 1999 |
|---|---|---|
| A R Heygate | 37,225 | 37,225 |
| D A Newton | 15,000 | 15,000 |
| C N C Holmes | 3,000 | 3,000 |
| R C Wood | 1,000 | 1,000 |
| | 56,225 | 56,225 |



There have been no changes in the interests set out above since the year end.

Details of the directors' remuneration and incentives including share options are disclosed further in the Remuneration Report on pages 17 to 21.

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

### Share Options

There were no grants, lapses or exercise of options by the directors or the senior executives during the year.

Employees hold options, over 6,114 shares at 2 September 2000, in the Company's Employee Share Option Scheme which matured in April 1999. These options can be exercised after 17 April 2001, or on leaving the Group.

### Significant Shareholders

As at 7 November 2000, the Company had received notification of the following shareholders having 3% or more of the issued share capital:

| | Total Holding | Percentage of Issued Capital |
|---|---|---|
| Heygate & Sons Limited | 1,717,262 | 21.47% |
| Nutraco Nominees Limited | 1,209,250 | 15.12% |
| Wesleyan Assurance Society | 350,000 | 4.38% |

### Charitable and Political Contributions

Charitable donations made by the Group during the year amounted to £2,573 (1999: £1,973). No political contributions were made (1999: Nil).

### Creditor Payment Policy

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

The amount of trade creditors shown in the Group balance sheet at the end of the financial year represents 39 days (1999: 36 days) of average daily purchases from suppliers.

The Company has no trade creditors.

### Annual General Meeting

The Annual General Meeting will be held at 11.30 am on Tuesday 9 January 2001 at the Crown Hotel, Wetheral, Carlisle.

The notice of Annual General Meeting includes the following items of Special Business:

Resolution 5 seeks renewal of the Directors' authority to allot part of the authorised but unissued share capital of the Company, that is to say 2,662,881 ordinary shares representing the equivalent of one-third of the ordinary shares currently in issue. The Directors have no present intention of exercising this authority (other than the issue of shares pursuant to the exercise of share options) which will lapse at the conclusion of the Annual General Meeting to be held in 2006.

Resolution 6 will give the Company authority to buy, by way of market purchases, up to 799,664 of its own shares (representing 10 per cent of the current issued 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.

Resolution 7, if approved, will disapply the statutory pre-emption right set out in the Companies Act 1985 and renew the Directors' power to issue up to 5 per cent of the issued share capital for cash otherwise than strictly pro rata to existing shareholders. The authority will also need to be renewed at the Annual General Meeting in 2002.

### Auditors

A resolution proposing that PricewaterhouseCoopers be re-appointed as auditors will be submitted to the Annual General Meeting.

By Order of the Board

Ronald C Wood
Secretary
Carlisle
13 November 2000

# corporate governance

The Financial Services Authority requires listed companies to disclose how they have complied with the principles of good governance and the code of best practice, known as The Combined Code. This statement on corporate governance, together with the Remuneration Report, describes the manner in which the principles and practices as detailed in the Combined Code are applied within the Group. The Board complied throughout the year with the provisions set out in the Combined Code apart from those relating to:

- the appointment of a senior independent non-executive director
- one of the two non-executive directors is not independent
- bonuses and benefits in kind paid to executive directors are pensionable
- the executive directors' contract periods are two years
- there are no specific provisions for compensation on early termination
- the remuneration committee comprises both non-executive directors, however one director is not independent
- the audit committee comprises the two non-executive directors instead of at least three non-executive directors a majority of whom should be independent

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

## Board Structure and Committees

The Board at 2 September 2000 comprised two executive directors (including the Group Chief Executive) and two non-executive directors (including the Chairman), who bring a range of skills and experience to the Board. Biographical details of all current non-executive directors are set out on page 10.

## Directors

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

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, and the Group Chief Executive, to directing and promoting the operation and development of the Group.

One of the non-executive directors is not considered independent as he is deemed to represent a significant shareholder. The Board have considered the appointment of a third non-executive director and the Board concluded that it does not believe it is necessary to appoint another non-executive director at this time. The Board has not set an objective on the reduction of directors' service contract periods to one year or less. The Board does not wish to reduce the service control period below the current level of two years as it feels that this is the minimum appropriate to retain the services of key executives with significant knowledge of the business in which the Group trades. Each director is provided with sufficient information to enable him to discharge his duties and responsibilities as a director.

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

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

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

### Directors' Remuneration

The Board has established a Remuneration Committee, the role of which is to review the performance of the executive directors and to set the scale and structure of their remuneration, including bonus arrangements. The Committee comprises of David Newton as Chairman and the other non-executive director. The report on directors' remuneration is set out on pages 17 to 21.

### Accountability and Audit

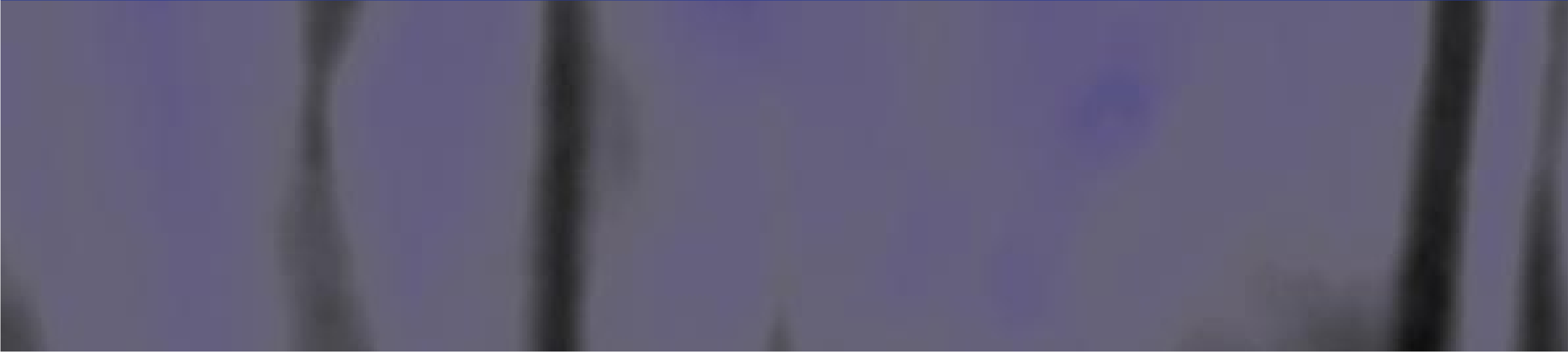
In submitting this Annual Report and the Financial Statements to the shareholders the Board has sought to ensure that a balanced and understandable assessment of the company's position and prospects has been presented to shareholders.

The Board has established an Audit Committee comprising the non-executive directors, with Robert Heygate as Chairman. The Committee is responsible inter alia for safeguarding shareholders' investments and the Company's assets. The Committee meets at least twice a year and reviews the annual and interim financial statements and the other documents to be sent to shareholders before they are submitted to the Board. The Committee also has meetings with the auditors at least twice a year. The Group does not have an internal auditor but a member of the head office accounting staff is available to conduct reviews of internal control and specific areas of concern where this is thought necessary.

### Internal Financial Control

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

The Combined Code introduced the requirement for directors to review the effectiveness of the Group's system of internal control, including financial, operational and compliance controls and risk management. The Board will by Summer 2001 have established procedures necessary to implement, with a few exceptions, the requirements of the Combined Code relating to internal control as reflected in the September 1999 guidance "Internal Control: Guidance for Directors on the Combined Code" (the Turnbull guidance). In respect of the application of principle D.2 of the Combined Code, the Board has adopted the transitional approach to disclosure set out in a letter from the Stock Exchange dated 27 September 1999 and therefore the comments below relate to the internal financial control procedures. These procedures establish the process by which the



Board will, on an ongoing basis, identify, evaluate and manage the significant risks faced by the Group and carry out its annual review of the effectiveness of the internal controls. The Board reviewed the internal financial controls this year and it is intended that these procedures will be kept under review each year and adjusted as appropriate.

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

Information systems, control procedures and monitoring - the Group has comprehensive budgets and detailed monthly reporting, together with daily cash reporting. The annual budget is reviewed with the senior management and submitted to the Board for approval.

## Relations with Shareholders

The Board recognises the importance of good communications with all shareholders. The Company maintains dialogue with institutional shareholders and analysts, and general presentations are made when financial results are announced.

The Annual General Meeting is the principal forum for dialogue with private investors. All shareholders are given the opportunity to raise questions at the meeting. The Company aims to send notices of Annual General Meetings to shareholders at least 20 working days before the meeting, as required by The Combined Code, and it is the Company's practice to indicate the proxy voting results on all resolutions at the meetings.

## Going Concern

After making appropriate enquiries, the directors are confident that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors adopt the going concern basis on preparation of the financial statements.

# report by the auditors
## to the members of Carr's Milling Industries PLC

We have audited the financial statements on pages 22 to 45 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on pages 27 and 28. We have also audited the disclosures relating to emoluments, share options and pension benefits of the directors which form part of the Remuneration Report on pages 17 to 21.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report. As described on page 7 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statue, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 13 to 15 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by 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 the risks and controls, or to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its risks and control procedures.

**Basis of audit opinion**

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

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 2 September 2000 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
13 November 2000

### Remuneration Committee

Remuneration of the executive directors is determined by the Remuneration Committee, which is comprised solely of non-executive directors of the Company, having no personal financial interest (other than as shareholders) in the matters to be decided, no potential conflicts of interest arising from cross-directorships and no day-to-day involvement in running the business of the Group. The Committee is chaired by David Newton, the Chairman of the Group. Remuneration of the non-executive directors is determined by the board as a whole.

### Terms of Reference

The remuneration committee is authorised by the board to determine appropriate policy for rewarding the executive directors and, within that policy, to:

- determine a remuneration package for each executive director which shall be designed to encourage them to enhance the Group's performance and provide fair reward for their contribution;
- agree the performance criteria applicable to any bonus scheme for the executive directors and determine whether the same have been fulfilled; and
- consider proposals for the granting of share options to the executive directors and the performance targets which must be achieved before such options may be exercised.

### Remuneration Policy

The constitution and operation of the Committee is in compliance with the principles of good governance and code of best practice incorporated within the Combined Code adopted by the Financial Services Authority. The Committee also confirms that full consideration has been given to the best practice provisions set out in Section 1B of the Combined Code, in determining the remuneration packages for directors. The remuneration policy adopted is one which aligns the rewards of the executives with the progress of the Group while giving consideration to salary levels in similar sized quoted companies in the sector. These packages are reviewed annually.

### Share Options

| | Number of Options | | Exercise | Date from | Expiry |
|---|---|---|---|---|---|
| | 02.09.00 | 29.08.99 | Price | which Exercisable | Date |
| C N C Holmes | 27,500 | 27,500 | 103.5p | 24.01.95 | 23.01.02 |
| | 20,000 | 20,000 | 81.5p | 19.01.96 | 18.01.03 |
| | 19,690 | 19,690 | 212.0p | 25.11.97 | 24.11.04 |
| | 20,000 | 20,000 | 312.5p | 01.02.99 | 31.01.03 |
| | 87,190 | 87,190 | | | |
| R C Wood | 19,460 | 19,460 | 103.5p | 24.01.95 | 23.01.02 |
| | 10,000 | 10,000 | 81.5p | 19.01.96 | 18.01.03 |
| | 19,690 | 19,690 | 212.0p | 25.11.97 | 24.11.04 |
| | 20,000 | 20,000 | 312.5p | 01.02.99 | 31.01.03 |
| | 69,150 | 69,150 | | | |

# remuneration report

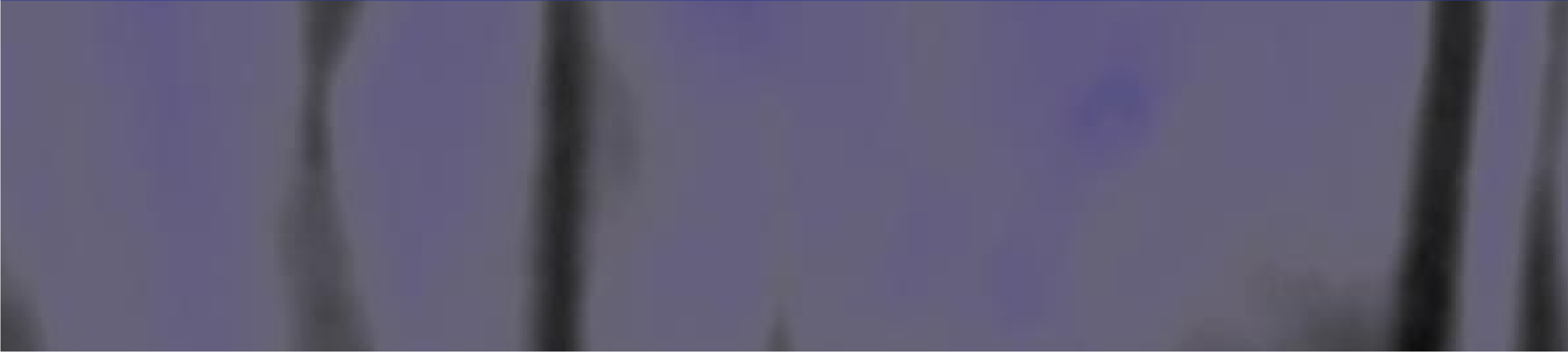
During the year the share price ranged between 94.5p and 121.5p. The middle market closing price at 1 September 2000 was 100.0p.

No director was granted or exercised options during the year.

The share options granted on 31 January 1996 and exercisable from 1 February, 1999 can be exercised provided the growth in earnings per share is at least 2% per annum growth in excess of inflation over a three year period. No share options have been granted at a discount to the market price at the date of grant.

**Directors' Emoluments**

| | Salary/Fees | | Benefits in kind | | Bonus | | Pension and Related Benefits | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 99/00 £'000 | 98/99 £'000 | 99/00 £'000 | 98/99 £'000 | 99/00 £'000 | 98/99 £'000 | 99/00 £'000 | 98/99 £'000 | 99/00 £'000 | 98/99 £'000 |
| **Executive directors** | | | | | | | | | | |
| C N C Holmes | 103 | 98 | 11 | 9 | 25 | — | 62 | 50 | 201 | 157 |
| R C Wood | 88 | 82 | 8 | 6 | 25 | — | 10 | 9 | 131 | 97 |
| J E Tudor | 20 | 76 | 2 | 10 | — | — | 1 | 9 | 23 | 95 |
| **Non-executive directors** | | | | | | | | | | |
| D A Newton | 27 | 25 | — | — | — | — | — | — | 27 | 25 |
| A R Heygate | 12 | 11 | — | — | — | — | — | — | 12 | 11 |
| Total emoluments | 250 | 292 | 21 | 25 | 50 | — | 73 | 68 | 394 | 385 |



Inland Revenue approved profit related pay schemes are open to substantially all UK employees, including the executive directors. The salary figure shown above includes an amount of £600 in respect of profit related pay for each executive director. (1998/99: £1,829)

Insurance contributions relate to insurance to provide death in service benefits.

Benefits in kind include car, fuel, telephone and medical benefits.

**Pension Entitlement**

The company's defined benefit pension scheme aims at producing a pension of two-thirds final pensionable salary at normal retirement age of 60. Due to the Inland Revenue cap this provision cannot be met in full from the scheme and supplementary arrangements are in place and are commented on later. The two executive directors are members of the pension scheme and can opt, after age 50, to retire early without actuarial reduction to their pension. Non-executive directors do not participate in the scheme. Pension entitlement is calculated on the salary element of remuneration plus the average of the last three years' bonuses and taxable benefits in kind. The executive directors' pension information is as follows:

| | **C N C Holmes** | **R C Wood** |
|---|---|---|
| Age at 2 September 2000 | 48 | 52 |
| | £'000 | £'000 |
| Directors' contributions during the year | — | 4 |
| Increase in accrued pension entitlement for the year | — | 9 |
| Total accrued pension entitlement at 2 September 2000 | 56 | 44 |

The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year and the increase in accrued pension during the year excludes any increase for inflation. Members of the scheme have the option to pay additional voluntary contributions, neither the contributions nor the resulting benefits are included in the information on executive directors' pension.

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 pensions of two-thirds of the member's pension is payable plus the balance of a five year guarantee if applicable.

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

C N C Holmes' pension arrangements above the Inland Revenue cap are funded and non-approved and attempt to provide for a pension of two-thirds of his final pensionable salary at age 60, inclusive of benefits from his previous employment, and a surviving spouse's pension of two-thirds of his pension. Pensions in payment are to be increased annually by the increase in RPI. The funding cost of this arrangement in 2000 was £38,000 (1999: £29,000).

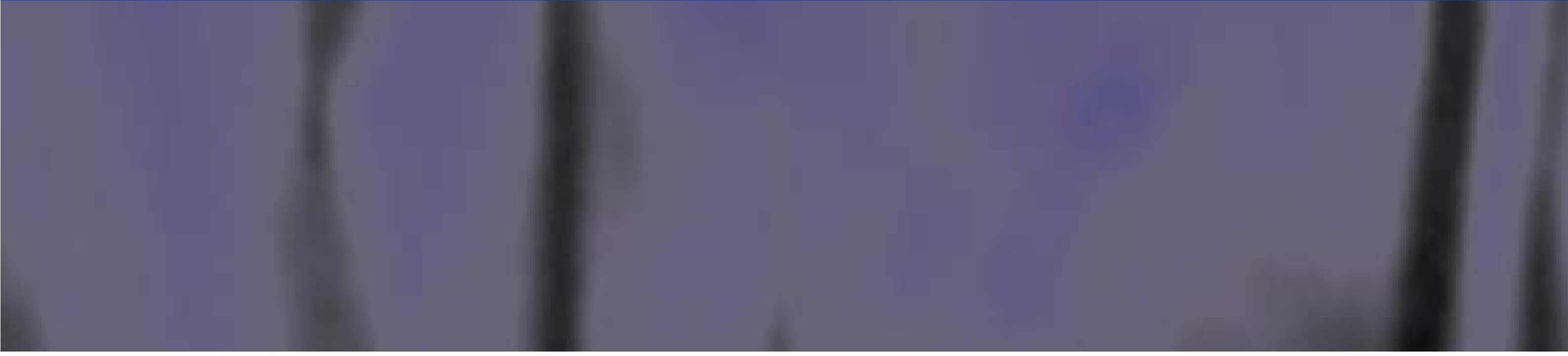
Any transfer value calculations would not make allowance for discretionary benefits including pension increases and early retirement.

### Annual Bonus

The executive directors participate in a bonus scheme linked to achievement of a pre-tax profit target. Bonus payments are in each case additionally dependent upon satisfactory individual performance. The maximum amount payable to any director in the year is £30,000.

### Entitlement to Notice

The executive directors have service contracts which are terminable on two years' notice by either party. The Remuneration Committee considers that such notice periods are reasonable and proper in the interests of both the Company and the executive directors. The non-executive directors have service contracts for two years and the next review is August 2001.



**Policy on External Appointments**

The Company recognises that its executive directors may be invited to become non-executive directors of other companies and that such non-executive positions can broaden experience and knowledge which will benefit the Company. The directors are therefore permitted to accept non-executive appointments, subject to the approval of the Board, provided that they do not conflict with the interests of the Company. Directors are not allowed to retain any fees paid.

**Remuneration Policy for Non-Executive Directors**

The remuneration for non-executive directors consists of fees for their services in connection with Board and Board committee meetings and, where relevant, for additional services such as devoting additional time and expertise for the benefit of the Group. The non-executive directors are not entitled to receive bonuses, be granted share options or participate in the Company's pension scheme.

Signed for the Remuneration Committee
on behalf of the Board

David Newton

David A Newton
Chairman, Remuneration Committee
13 November 2000

# consolidated profit and loss account

For the year ended 2 September 2000

| Notes | | 2000 £'000 | 1999 £'000 |
|---|---|---|---|
| 2 | **Turnover: group and share of joint venture - continuing operations** | 104,186 | 100,208 |
| | **Less: share of turnover of joint venture - continuing operations** | (6,192) | (2,872) |
| | **Group turnover** | 97,994 | 97,336 |
| 3 | Cost of sales | (81,184) | (82,765) |
| 3 | **Gross profit** | 16,810 | 14,571 |
| 3,4 | **Group operating profit - continuing operations** | 3,470 | 2,377 |
| | Share of operating loss in joint venture - continuing operations | (629) | (10) |
| | Share of operating profit in associate - discontinued operations | — | 558 |
| | **Total operating profit: group and share of joint venture and associate** | 2,841 | 2,925 |
| | Continuing operations | | |
| 8 | Investment income | 1 | 6 |
| 5 | Profit on disposal of investment | 111 | — |
| | Discontinued operations | | |
| 5 | Profit on sale of associate | — | 1,434 |
| 5 | Profit on disposal of fixed assets | — | 75 |
| | **Profit on ordinary activities before interest** | 2,953 | 4,440 |
| | Interest receivable | | |
| 9 | group | 21 | 23 |
| | joint venture | 12 | 10 |
| | associate | — | 12 |
| 10 | Interest payable (group) | (820) | (1,168) |
| | **Profit on ordinary activities before taxation** | 2,166 | 3,317 |
| 11 | Taxation | (700) | (940) |
| | **Profit on ordinary activities after taxation** | 1,466 | 2,377 |
| | Minority interests - equity | (68) | (14) |
| | **Profit for the financial year** | 1,398 | 2,363 |
| 12 | Dividends | (720) | (640) |
| 26,27 | **Retained profit for the financial year** | 678 | 1,723 |
| | **Earnings per ordinary share:** | | |
| 13 | Basic | 17.5p | 29.5p |
| 13 | Diluted | 17.5p | 29.5p |
| 13 | Alternative basis | 20.2p | 19.8p |

# statement of group total recognised gains and losses

For the year ended 2 September 2000

| Notes | | 2000 £'000 | 1999 £'000 |
|---|---|---|---|
| | Profit for the financial year | 1,398 | 2,363 |
| | Currency translation differences on foreign currency net investments | 101 | 16 |
| | **Total recognised gains and losses relating to the year** | 1,499 | 2,379 |

**Note of group historical cost profits and losses**

| | | 2000 £'000 | 1999 £'000 |
|---|---|---|---|
| | Reported profit on ordinary activities before taxation | 2,166 | 3,317 |
| 26 | Realisation of property revaluation gains of previous years | 403 | 602 |
| 26 | Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount | 31 | 32 |
| | Historical cost profit on ordinary activities before taxation | 2,600 | 3,951 |
| | Historical cost profit for the year retained after taxation, minority interests and dividends | 1,112 | 2,357 |

# consolidated balance sheet

At 2 September 2000

| Notes | | 2000 £'000 | 2000 £'000 | 1999 £'000 | 1999 £'000 |
|---|---|---|---|---|---|
| | **Fixed assets** | | | | |
| 14 | Intangible assets | | 43 | | 60 |
| 15 | Tangible assets | | 18,620 | | 18,141 |
| | Investments | | | | |
| 16 | Investment in joint venture | | | | |
| | Share of gross assets | 4,379 | | 925 | |
| | Share of gross liabilities | (4,596) | | (825) | |
| | | (217) | | 100 | |
| 16 | Loan to joint venture | 550 | | — | |
| 16 | Other investments | 22 | | 23 | |
| | | | 355 | | 123 |
| | | | 19,018 | | 18,324 |
| | **Current assets** | | | | |
| 17 | Assets held for resale | 50 | | 307 | |
| 18 | Stocks | 7,895 | | 7,723 | |
| 19 | Debtors | 14,549 | | 16,098 | |
| | Cash at bank and in hand | 140 | | 102 | |
| | | 22,634 | | 24,230 | |
| 20 | **Creditors** | | | | |
| | Amounts falling due within one year | 19,771 | | 21,043 | |
| | **Net current assets** | | 2,863 | | 3,187 |
| | **Total assets less current liabilities** | | 21,881 | | 21,511 |
| 21 | **Creditors** | | | | |
| | Amounts falling due after more than one year | 2,157 | | 2,506 | |
| 23 | **Provisions for liabilities and charges** | 1,534 | | 1,578 | |
| 24 | **Deferred income** | 290 | | 345 | |
| | | | 3,981 | | 4,429 |
| | | | 17,900 | | 17,082 |
| | **Capital and reserves** | | | | |
| 25 | Called-up share capital | | 1,999 | | 1,999 |
| 26 | Share premium account | | 4,698 | | 4,698 |
| 26 | Revaluation reserve | | 2,093 | | 2,527 |
| 26 | Profit and loss account | | 8,782 | | 7,569 |
| 27 | Equity shareholders' funds | | 17,572 | | 16,793 |
| | Minority interests - equity | | 328 | | 289 |
| | | | 17,900 | | 17,082 |

# holding company balance sheet

At 2 September 2000

| Notes | | 2000 £'000 | 2000 £'000 | 1999 £'000 | 1999 £'000 |
|---|---|---|---|---|---|
| | **Fixed assets** | | | | |
| 16 | Investments | | 9,391 | | 9,022 |
| | **Current assets** | | | | |
| 17 | Assets held for resale | — | | 257 | |
| 19 | Debtors | 13,253 | | 13,768 | |
| | | 13,253 | | 14,025 | |
| 20 | **Creditors** | | | | |
| | Amounts falling due within one year | 8,296 | | 8,163 | |
| | **Net current assets** | | 4,957 | | 5,862 |
| | **Total assets less current liabilities** | | 14,348 | | 14,884 |
| 21 | **Creditors** | | | | |
| | Amounts falling due after more than one year | 992 | | 1,957 | |
| 23 | **Provisions for liabilities and charges** | 31 | | 99 | |
| | | | 1,023 | | 2,056 |
| | . | | 13,325 | | 12,828 |
| | **Capital and reserves** | | | | |
| 25 | Called-up share capital | | 1,999 | | 1,999 |
| 26 | Share premium account | | 4,698 | | 4,698 |
| 26 | Profit and loss account | | 6,628 | | 6,131 |
| | Equity shareholders' funds | | 13,325 | | 12,828 |

The financial statements set out on pages 22 to 45 were approved by the Board on 13 November 2000 and signed on its behalf by

**Christopher N C Holmes**
**Ronald C Wood**
} Directors

# consolidated cash flow statement

For the year ended 2 September 2000

| Notes | | 2000 £'000 | 1999 £'000 |
|---|---|---|---|
| 28 | **Net cash inflow from continuing operating activities** | 6,984 | 2,511 |
| | **Dividend received from associate** | — | 390 |
| | **Returns on investments and servicing of finance** | | |
| | Interest received | 4 | 23 |
| | Interest paid | (796) | (1,110) |
| | Interest paid on finance leases | (70) | (89) |
| | Investment income received | 1 | 6 |
| | **Net cash outflow from returns on investments and servicing of finance** | (861) | (1,170) |
| | **Taxation** | (478) | 90 |
| | **Capital expenditure and financial investment** | | |
| | Purchase of tangible fixed assets | (1,121) | (1,547) |
| | Sale of tangible fixed assets | 200 | 1,775 |
| | Sale of assets held for resale | 257 | 197 |
| | Sale of investment | 112 | — |
| | Loan to joint venture | (550) | — |
| | | (1,102) | 425 |
| | **Acquisitions and disposals** | | |
| | Purchase of trade | — | (185) |
| | Disposal of investment in associate | — | 2,243 |
| | Investment in joint venture | (150) | (100) |
| | | (150) | 1,958 |
| | **Equity dividends paid** | (640) | (400) |
| | **Cash inflow before management of liquid resources and financing** | 3,753 | 3,804 |
| 32 | **Financing** | (1,489) | (1,606) |
| 31 | **Increase in cash in the year** | 2,264 | 2,198 |

# statement of accounting policies

For the year ended 2 September 2000

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

## Accounting convention

The financial statements are prepared under the historical cost convention modified for the revaluation of certain land and buildings. The financial statements are prepared in accordance with applicable accounting standards all of which have been applied consistently throughout the year and the proceeding year.

The requirement of FRS15 is discussed further in "Revaluation of properties". The adoption of this standard has not resulted in a restatement of prior year results.

## Basis of consolidation

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

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

## Associated undertakings

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

## Turnover

Turnover represents the invoiced value of sales, and the value of long-term contract work done, excluding value added tax, to third parties.

## Revaluation of properties

Prior to 1999, some freehold and leasehold properties were revalued. On adoption of FRS15 in 1999 (see note on Accounting convention), the Group has followed the transitional rules to retain the book value of land and buildings. Transfers are made to retained profits each year in order to amortise surpluses over the remaining useful lives of the properties. On disposal the profit or loss is calculated by reference to the net book value and any unamortised revaluation surplus is transferred from revaluation reserves to retained profits.

## Assets held for resale

Assets held for resale are stated at the lower of depreciated cost and net realisable value.

## Stocks

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

## Long-term contracts

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

## Financial instruments and derivatives

The Group's accounting policy for derivatives is to defer and only recognise in the Group profit and loss account gains and losses on hedges of revenues, operating payments and capital expenditure to match underlying transactions.

# statement of accounting policies

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

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

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

Goodwill in respect of acquisitions prior to 30 August 1998 remains eliminated against reserves. This goodwill had been eliminated as a matter of accounting policy and will be charged or credited in the profit and loss account on subsequent disposal.

### Deferred taxation
Deferred taxation is provided under the liability method to take account of all material timing differences between profits as stated in the accounts and as computed for tax purposes to the extent that it is considered with reasonable probability that such liability will crystallise.

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

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

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

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

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

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

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account as incurred.

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

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

1 The Holding Company has taken advantage of the exemption, under section 230 of the Companies Act 1985, from presenting its own profit and loss account. The profit after tax for the year dealt with in the accounts of the Holding Company was £1,217,000 (1999: £3,745,000).

## 2 Segmental analysis

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

| | Turnover | | Profit before tax | | Net assets | |
|---|---|---|---|---|---|---|
| | **2000** | 1999 | **2000** | 1999 | **2000** | 1999 |
| | **£'000** | £'000 | **£'000** | £'000 | **£'000** | £'000 |
| **Business analysis** | | | | | | |
| Agriculture - Group | **73,000** | 68,390 | **3,133** | 1,103 | **3,056** | 2,811 |
| - Joint venture | **6,192** | 2,872 | **(629)** | (10) | **(217)** | 100 |
| Food | **18,334** | 18,484 | **607** | 504 | **4,794** | 4,728 |
| Engineering | **6,660** | 10,462 | **(150)** | 854 | **4,841** | 4,850 |
| Share of operating profit in associate | **—** | — | **—** | 558 | **—** | — |
| Profit on sale of discontinued operations | **—** | — | **—** | 1,509 | **—** | — |
| Profit on sale of investment | **—** | — | **111** | — | **—** | — |
| Interest payable | **—** | — | **(787)** | (1,123) | **—** | — |
| Central | **—** | — | **(119)** | (78) | **5,426** | 4,593 |
| **Total** | | | | | | |
| **- Group** | **97,994** | 97,336 | **2,783** | 3,317 | **18,117** | 16,982 |
| **- Joint venture** | **6,192** | 2,872 | **(617)** | — | **(217)** | 100 |

(Interest payable includes £12,000 relating to joint venture)

| | Turnover 2000 £'000 | Turnover 1999 £'000 | Profit before tax 2000 £'000 | Profit before tax 1999 £'000 | Net assets 2000 £'000 | Net assets 1999 £'000 |
|---|---|---|---|---|---|---|
| **Geographical analysis** | | | | | | |
| United Kingdom - Group | **91,189** | 92,304 | **2,960** | 4,693 | **17,381** | 16,927 |
| - Joint venture | **6,192** | 2,872 | **(629)** | (10) | **(217)** | 100 |
| Continental Europe | **1,145** | 1,079 | **6** | 2 | **(1)** | (1) |
| North America | **5,660** | 3,953 | **735** | (161) | **737** | 56 |
| Central | **—** | — | **(119)** | (84) | **—** | — |
| | **104,186** | 100,208 | **2,953** | 4,440 | **17,900** | 17,082 |
| Interest payable | **—** | — | **(787)** | (1,123) | **—** | — |
| **Total** | | | | | | |
| **- Group** | **97,994** | **97,336** | **2,783** | **3,317** | **18,117** | **16,982** |
| **- Joint venture** | **6,192** | **2,872** | **(617)** | — | **(217)** | **100** |

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

Turnover between segments is not material.

The Group's share of the joint venture loss before tax of £617,000 of which £432,000 arises from exceptional restructuring costs, relates to the acquisition of AF plc.

## 3 Cost of sales and other operating income and expenses

| | 2000 £'000 | 2000 £'000 | 1999 £'000 | 1999 £'000 |
|---|---|---|---|---|
| **Cost of sales** | | 81,184 | | 82,765 |
| **Gross profit** | | 16,810 | | 14,571 |
| **Net operating expenses** | | | | |
| Distribution costs | | (6,267) | | (5,511) |
| Administrative expenses - normal | (7,073) | | (6,220) | |
| - exceptional (note 5) | — | | (463) | |
| | | (7,073) | | (6,683) |
| **Operating profit -** continuing operations | | 3,470 | | 2,377 |
| Share of loss in joint venture -normal | | (197) | | (10) |
| - exceptional (note 5) | | (432) | | — |
| Share of operating profit in associate - discontinued | | — | | 558 |
| **Total operating profit:** group and share of joint venture and associate | | 2,841 | | 2,925 |
| **Exceptional items** | | 432 | | 463 |
| **Total operating profit:** group and share of joint venture and associate (before exceptional items) | | 3,273 | | 3,388 |

The total figures for continuing operations include the following amounts relating to acquisitions: cost of sales £nil (1999: £829,000), gross profit of £nil (1999: £250,000) and net operating expenses of £nil (1999: £248,000). Except as noted above, amounts disclosed relate to continuing operations.

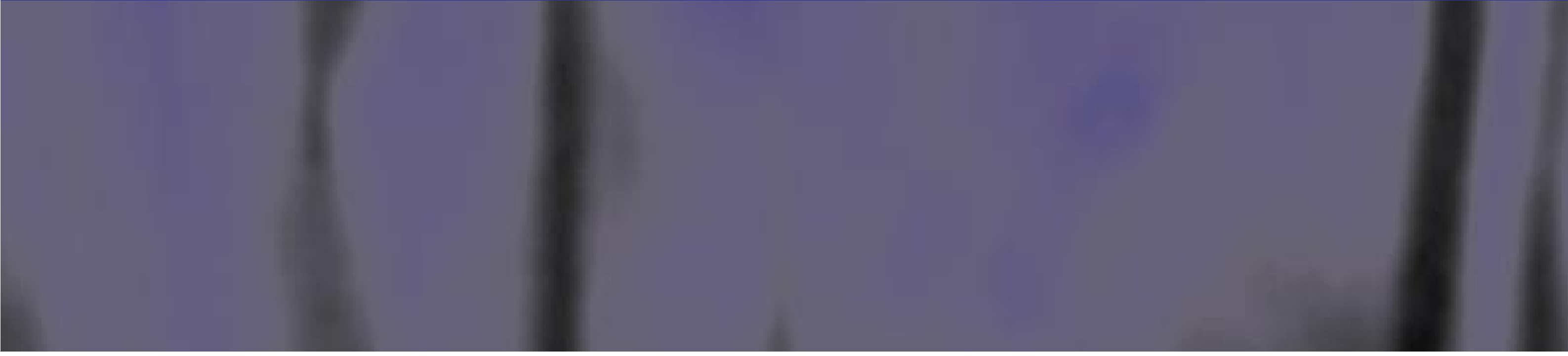
## 4 Operating profit

| | 2000 £'000 | 1999 £'000 |
|---|---|---|
| Operating profit is stated after crediting: | | |
| Rent receivable | 76 | 182 |
| Amortisation of grants | 55 | 70 |
| Profit on disposal of tangible fixed assets | 17 | 173 |
| And after charging: | | |
| Auditors' remuneration for audit (company £9,000; 1999: £10,000) | 100 | 100 |
| Auditors' remuneration for other services | 47 | 61 |
| Depreciation of tangible fixed assets held under finance leases | 389 | 372 |
| Depreciation of owned tangible fixed assets | 1,538 | 1,509 |
| Hire of plant and equipment | 285 | 82 |
| Hire of other assets | 23 | 73 |
| Amortisation of goodwill | 17 | 12 |

## 5 Exceptional items

In 2000 the exceptional element of loss in the joint venture relates to the company's share of the reorganisation costs associated with the closure of the Preston Mill and the head office acquired by our joint venture company, Carrs Billington Agriculture Limited. The tax credit for the year in respect to this loss is £138,000.

In 2000 the Company disposed of its investment in a listed company for a gross consideration of £112,000 which was settled in cash. The tax charge for the year of this disposal is £35,000.



## 5 Exceptional items continued

In 1999 the exceptional administrative costs related to the costs incurred and a provision for the likely costs of defending proceedings against, Animal Feed Supplement, Inc. ("AFS") a subsidiary undertaking. This litigation related to a dispute with a competitor in the US which alleged that the subsidiary undertaking had infringed a trademark in the US. In May 2000 the courts ruled in our favour and granted AFS summary judgement in all trademark related matters. AFS is currently pursuing a competitor in the US for compensation for costs incurred in defending the lawsuit. Legal costs incurred in 2000 were charged against the provision created in 1999.

In 1999 the Company disposed of its fifty percent holding of the issued share capital of Robertsons Limited for gross consideration of £2,410,000 which was settled in cash. Costs relating to the disposal were £167,000 giving rise to a gain of £1,434,000 over the carrying value of the investment. On the same date Robertsons (Bakers) Limited made the associated disposal of the leasehold property known as the Bakery for gross consideration of £1,000,000 which was settled in cash and gave rise to a profit on disposal of £75,000. The tax charge for the year in respect of these disposals is £268,000.

## 6 Directors' emoluments

| | **2000 £'000** | 1999 £'000 |
|---|---|---|
| Aggregate emoluments | **282** | 281 |
| Sums paid to third parties for directors' services | **39** | 36 |
| Company contribution to money purchase scheme | **38** | 29 |
| | **359** | 346 |

Retirement benefits are accruing to two directors (1999: three) under a defined benefit pension scheme and one (1999: one) of those directors also participates in a money purchase scheme.

| | **2000 £'000** | 1999 £'000 |
|---|---|---|
| Highest paid director: | | |
| Total emoluments | **139** | 107 |
| Company contribution to money purchase scheme | **38** | 29 |
| Defined benefit scheme: | | |
| Accrued pension at end of the year | **56** | 56 |
| Accrued pension at start of the year | **56** | 55 |

Further information relating to directors' emoluments, shareholdings and share options is included in the Remuneration Report on pages 17 to 21.

## 7 Staff costs

| | **2000 £'000** | 1999 £'000 |
|---|---|---|
| Wages and salaries | **9,982** | 9,746 |
| Social security costs | **926** | 875 |
| Other pension costs | **626** | 672 |
| | **11,534** | 11,293 |

| The average monthly number of employees during the year was made up as follows: | **2000 Number** | 1999 Number |
|---|---|---|
| Sales, office and management | **272** | 234 |
| Manufacture and distribution | **276** | 330 |
| | **548** | 564 |

## 8 Investment income

| | 2000 £'000 | 1999 £'000 |
|---|---|---|
| Income from fixed asset investments | 1 | 6 |

## 9 Interest receivable

| | 2000 £'000 | 1999 £'000 |
|---|---|---|
| Bank interest | 21 | 23 |

## 10 Interest payable

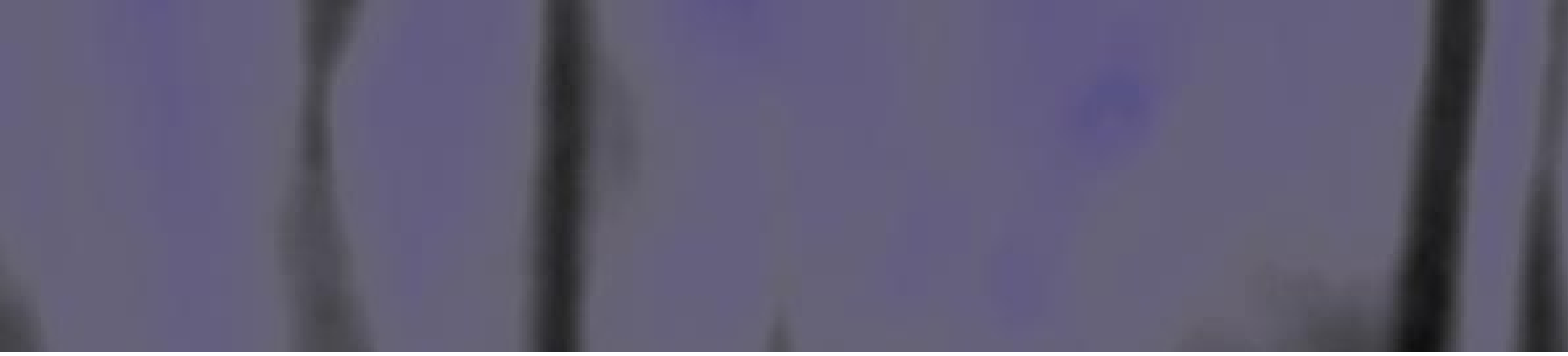
| | 2000 £'000 | 1999 £'000 |
|---|---|---|
| On bank overdrafts | 518 | 762 |
| On bank loans and other loans: | | |
| Repayable within five years by instalments | 188 | 242 |
| Not repayable within five years | — | 4 |
| On finance leases and hire purchase contracts | 73 | 89 |
| Other | 41 | 71 |
| | 820 | 1,168 |

## 11 Taxation

| | | 2000 £'000 | 1999 £'000 |
|---|---|---|---|
| U.K. corporation tax at 30% (1999: 30.6%) | – current | 713 | 730 |
| | – deferred | 98 | 41 |
| Under/(over) provision in respect of prior years | – current | (96) | 9 |
| | – deferred | (23) | (71) |
| Associate | | — | 179 |
| Overseas taxation | | 158 | 52 |
| Joint venture | | (150) | — |
| | | 700 | 940 |

## 12 Dividends

| Equity: | 2000 £'000 | 1999 £'000 |
|---|---|---|
| Ordinary – Interim paid of 3.0p per share (1999: 3.0p) | 240 | 240 |
| – Final proposed of 6.0p per share (1999: 5.0p) | 480 | 400 |
| | 720 | 640 |



## 13 Earnings per ordinary share

Earnings per share are calculated by reference to a weighted average of 7,996,639 shares (1999: 7,996,639) in issue during the year.

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

| | **2000** | | 1999 | |
|---|---|---|---|---|
| | **Earnings £'000** | **Earnings per share pence** | Earnings £'000 | Earnings per share pence |
| Earnings per share | **1,398** | **17.5** | 2,363 | 29.5 |
| Exceptional items: | | | | |
| Continuing operations | **(111)** | **(1.4)** | 463 | 5.8 |
| Gains on disposal of associate and other fixed assets | **—** | **—** | (1,509) | (18.9) |
| Share of reorganisation costs in joint venture | **432** | **5.4** | — | — |
| Taxation arising on exceptional items | **(103)** | **(1.3)** | 268 | 3.4 |
| Earnings excluding exceptional items and alternative earnings per share | **1,616** | **20.2** | 1,585 | 19.8 |

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The group has only one category of dilutive potential ordinary shares: those share options granted to directors where the exercise price is less than the average market price of the Company's ordinary shares during the year.

| | **2000** | | | 1999 | | |
|---|---|---|---|---|---|---|
| | **Earnings £'000** | **Weighted average number of shares** | **Earnings per share pence** | Earnings £'000 | Weighted average number of share | Earnings per share pence |
| Earnings per share | **1,398** | **7,996,639** | **17.5** | 2,363 | 7,996,639 | 29.5 |
| Effective of dilutive securities: | | | | | | |
| Options | **—** | **6,354** | **—** | — | 1,767 | — |
| Diluted earnings per share | **1,398** | **8,002,993** | **17.5** | 2,363 | 7,998,406 | 29.5 |

## 14 Intangible fixed assets

| **Group** | **2000 Goodwill £'000** |
|---|---|
| Cost | |
| At 29/8/99 and 2/9/00 | **72** |
| Aggregate amortisation | |
| At 29/8/99 | **12** |
| Charge for the year | **17** |
| At 2/9/00 | **29** |
| Net book amount at 2/9/00 | **43** |
| Net book amount at 28/8/99 | **60** |

The goodwill arising on the acquisition of the trade and certain assets of George Shackleton & Sons Limited is being amortised on a straight line basis over five years. This period is the period over which the directors estimate that the value of the underlying business acquired is expected to exceed the value of those underlying assets.

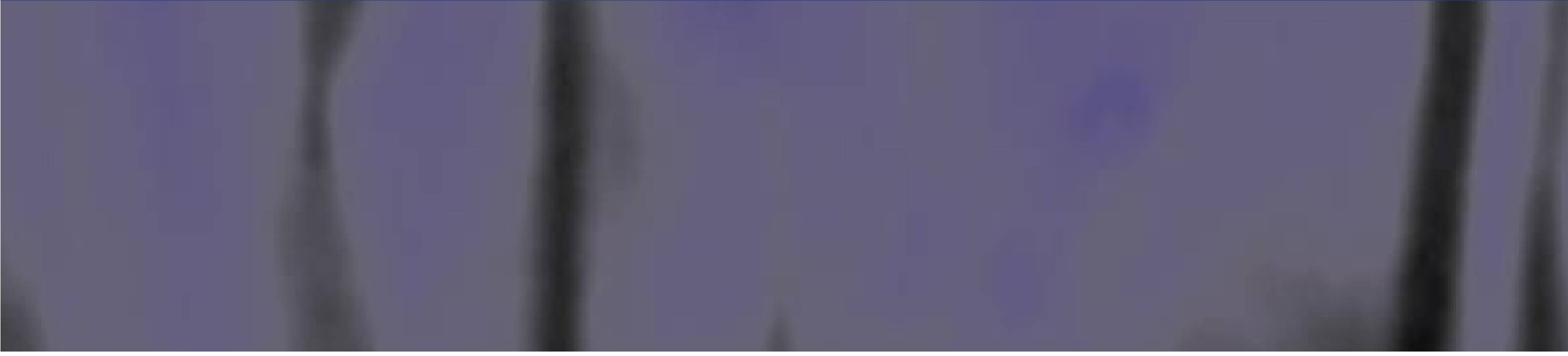
## 15 Tangible fixed assets

| Group | Land and buildings £'000 | Plant and equipment £'000 | Assets in course of construction £'000 | Total £'000 |
|---|---|---|---|---|
| Cost or valuation: | | | | |
| At 29/8/99 | 8,643 | 20,802 | 160 | 29,605 |
| Exchange differences | 58 | 168 | — | 226 |
| Additions | 126 | 1,120 | 1,167 | 2,413 |
| Disposals | (60) | (1,126) | — | (1,186) |
| Reclassifications | 10 | 197 | (207) | — |
| **At 2/9/00** | **8,777** | **21,161** | **1,120** | **31,058** |
| Depreciation: | | | | |
| At 29/8/99 | 728 | 10,736 | — | 11,464 |
| Exchange differences | 8 | 42 | — | 50 |
| Charge for the year | 202 | 1,725 | — | 1,927 |
| Disposals | (6) | (997) | — | (1,003) |
| **At 2/9/00** | **932** | **11,506** | **—** | **12,438** |
| Net book value: | | | | |
| **At 2/9/00** | **7,845** | **9,655** | **1,120** | **18,620** |
| At 28/8/99 | 7,915 | 10,066 | 160 | 18,141 |
| Cost or valuation at 2/9/00 is represented by: | | | | |
| Valuation in 1995 | 3,458 | — | — | 3,458 |
| Valuation in 1998 | 498 | — | — | 498 |
| Cost | 4,821 | 21,161 | 1,120 | 27,102 |
| | 8,777 | 21,161 | 1,120 | 31,058 |

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

| | **2000 £'000** | 1999 £'000 |
|---|---|---|
| Cost | **7,490** | 7,354 |
| Aggregate depreciation based on cost | **(1,738)** | (1,578) |
| Net book amount | **5,752** | 5,776 |
| The net book value of land and buildings comprises: | | |
| Freehold | **6,752** | 6,789 |
| Long leasehold | **1,041** | 1,064 |
| Short leasehold | **52** | 62 |
| | **7,845** | 7,915 |

The net book value of plant and equipment includes £1,024,050 (1999: £1,007,000) in respect of assets held under finance leases. The net book value of assets in course of construction includes £750,690 (1999: £nil) in respect of assets held under finance leases.



## 16 Investments

| Group | Joint venture £'000 | Other investments £'000 | Loan to joint venture £'000 | Other loans £'000 | Total £'000 |
|---|---|---|---|---|---|
| Cost: | | | | | |
| At 29/8/99 | 100 | 32 | — | 27 | 159 |
| Additions | 150 | — | 550 | — | 700 |
| Disposals | — | (1) | — | — | (1) |
| Share of losses retained | (467) | — | — | — | (467) |
| **At 2/9/00** | **(217)** | **31** | **550** | **27** | **391** |
| Amounts written off: | | | | | |
| **At 29/8/99 and at 2/9/00** | **—** | **9** | **—** | **27** | **36** |
| Net book value: | | | | | |
| **At 2/9/00** | **(217)** | **22** | **550** | **—** | **355** |
| At 28/8/99 | 100 | 23 | — | — | 123 |

| Holding company | Joint venture £'000 | Shares in subsidiaries £'000 | Loan to joint venture £'000 | Other investments £'000 | Total £'000 |
|---|---|---|---|---|---|
| Cost: | | | | | |
| At 29/8/99 | 100 | 14,261 | — | 16 | 14,377 |
| Additions | 150 | — | 550 | — | 700 |
| Disposals | — | (1,626) | — | (1) | (1,627) |
| **At 2/9/00** | **250** | **12,635** | **550** | **15** | **13,450** |
| Amounts written off: | | | | | |
| At 29/8/99 | — | 5,355 | — | — | 5,355 |
| Disposals | — | (1,296) | — | — | (1,296) |
| **At 2/9/00** | **—** | **4,059** | **—** | **—** | **4,059** |
| Net book value: | | | | | |
| **At 2/9/00** | **250** | **8,576** | **550** | **15** | **9,391** |
| At 28/8/99 | 100 | 8,906 | — | 16 | 9,022 |

The disposals of shares in subsidiaries in the year relate to two dormant subsidiaries which were liquidated. The disposal of other investments relates to the sale of a listed investment, (note 5).

| Name | Proportion of Shares Held Ordinary % | Preference % | Country of Incorporation | Activity |
|---|---|---|---|---|
| Subsidiaries: | | | | |
| Carrs Agriculture Ltd. | 100 | — | England | Agricultural retailers and fertiliser blenders |
| Angus Fertilizers Ltd. | 50 | — | Scotland | Blending and distribution of fertilisers |
| Champion Fertilisers Ltd. | 100 | — | England | Blending and distribution of fertilisers |
| Animal Feed Supplement Inc. | 100 | — | USA | Manufacture of animal feed blocks |
| Carr's Flour Mills Ltd. | 100 | 100 | England | Flour milling |
| George Shackleton & Sons Ltd. | 100 | — | Eire | Suppliers of flour and food ingredients |
| Carrs Engineering Ltd. | 100 | 100 | England | Engineering |
| Bowie and Aram Ltd. | 100 | — | Scotland | Travel agents |
| Robertsons (Bakers) Ltd. | 100 | 83 | England | Property holding |
| B.R.B. Trust Ltd. | 100 | 100 | England | Financial services |
| North Country Eggs Ltd. | 100 | — | England | Property holding |
| Joint Venture: | | | | |
| Carrs Billington Agriculture Ltd. | 50 | — | England | Manufacture of animal feed and agricultural retailers |

## 16 Investments (continued)

Investments in the subsidiaries listed above are held directly by the holding company with the exception of George Shackleton & Sons Limited which is held by Carr's Flour Mills Limited.

Dormant subsidiaries are not shown above.

Angus Fertilizers Limited is treated as a subsidiary as the directors exercise dominant influence by use of a casting vote in accordance with the terms of the agreement.

Joint venture
The Company held throughout the year 50% of the issued share capital of Carrs Billington Agriculture Limited, a company incorporated in England and engaged in the manufacture of animal feed. The Group's share of turnover and certain balance sheet items of Carrs Billington Agriculture Limited are as follows:

| | **2000 £'000** | 1999 £'000 |
|---|---|---|
| Turnover | **6,192** | 2,872 |
| Loss before tax | **(617)** | — |
| Taxation | **150** | — |
| Loss after tax | **(467)** | — |
| Fixed assets | **1,093** | 764 |
| Current assets | **3,286** | 161 |
| Liabilities due within one year | **(4,596)** | (825) |

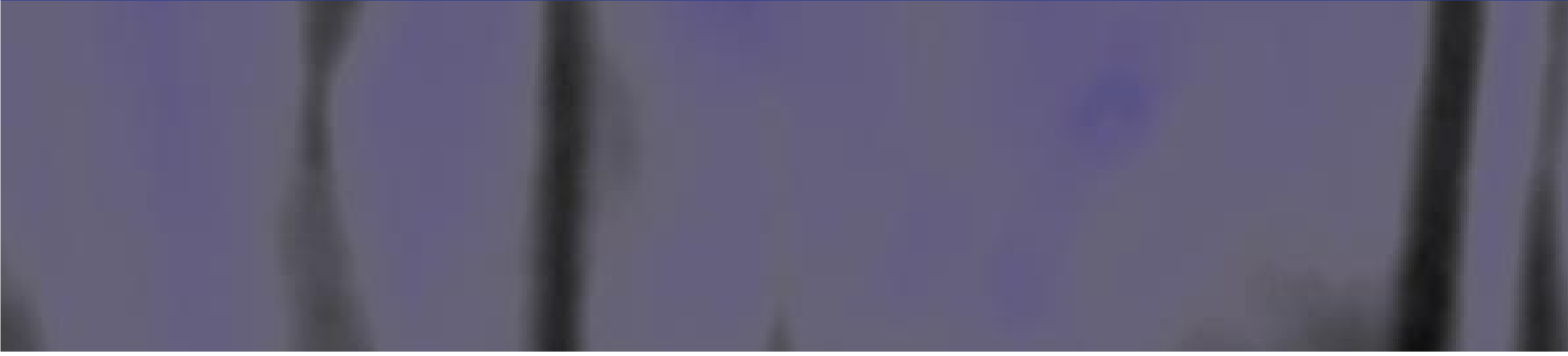
## 17 Assets held for resale

At 2 September 2000, the Group held one property that was not in use which has been included as an asset held for resale. The property was previously occupied by the Agriculture Division and was also shown as an asset held for resale at 28 August 1999.

In addition to the above property, at 28 August 1999 assets held for resale included a property held directly by the holding company which was sold during the year.

## 18 Stocks

| **Group** | **2000 £'000** | 1999 £'000 |
|---|---|---|
| Raw material and consumables | **4,337** | 3,897 |
| Work in progress | **374** | 299 |
| Finished goods and goods for resale | **3,184** | 3,527 |
| | **7,895** | 7,723 |



## 19 Debtors

| | Group | | Holding Company | |
|---|---|---|---|---|
| | **2000** | 1999 | **2000** | 1999 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Amounts receivable within one year: | | | | |
| Trade debtors | **13,597** | 14,150 | **—** | — |
| Amounts recoverable on contracts | **67** | 449 | **—** | — |
| Amounts owed by Group undertakings | **—** | — | **11,468** | 11,467 |
| Dividends due from Group undertakings | **—** | — | **1,590** | 1,753 |
| Amounts owed by joint venture | **73** | 33 | **—** | — |
| Other debtors | **535** | 1,168 | **150** | 548 |
| Prepayments and accrued income | **265** | 278 | **45** | — |
| | **14,537** | 16,078 | **13,253** | 13,768 |
| Amounts receivable after more than one year: | | | | |
| Other debtors | **12** | 20 | **—** | — |
| | **14,549** | 16,098 | **13,253** | 13,768 |

## 20 Creditors

| | Group | | Holding Company | |
|---|---|---|---|---|
| | **2000** | 1999 | **2000** | 1999 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Amounts falling due within one year: | | | | |
| Bank loans and overdrafts | **4,929** | 7,080 | **4,491** | 4,424 |
| 7.5% unsecured loan stock 2001/05 | **10** | — | **10** | — |
| Payments on account | **561** | 419 | **—** | — |
| Trade creditors | **9,513** | 8,799 | **—** | — |
| Amounts owed to Group undertakings | **—** | — | **2,969** | 2,681 |
| Amounts owed to joint venture | **388** | 168 | **—** | — |
| Dividends payable | **480** | 400 | **480** | 400 |
| Corporation tax | **851** | 773 | **—** | — |
| Other taxes and social security payable | **930** | 637 | **37** | 5 |
| Other creditors | **258** | 573 | **39** | 100 |
| Finance leases | **483** | 378 | **—** | — |
| Accruals | **1,330** | 1,766 | **244** | 503 |
| Deferred consideration | **38** | 50 | **26** | 50 |
| | **19,771** | 21,043 | **8,296** | 8,163 |

## 21 Creditors

| | Group | | Holding Company | |
|---|---|---|---|---|
| | **2000** | 1999 | **2000** | 1999 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Amounts falling due after more than one year: | | | | |
| 7.5% Unsecured loan stock 2001/05 | **40** | 50 | **40** | 50 |
| Bank loans | **1,041** | 2,015 | **928** | 1,858 |
| Other creditors | **42** | 80 | **24** | 49 |
| Finance leases | **1,034** | 361 | **—** | — |
| | **2,157** | 2,506 | **992** | 1,957 |

Finance lease obligations are secured on the assets to which they relate.

## 22 Derivatives and other financial instruments

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

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

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

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

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

### Short-term debtors and creditors

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

### Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group borrows in the desired currencies at fixed and floating rates of interest and then uses interest rate collars and swaps to manage the Group's exposure to interest rate fluctuations. At the year end £5.566 million (1999: £4.789m) of the Group's borrowings were at a fixed rate of interest. £4 million (1999: £4m) of debt facility is covered by an interest rate collar at interest rates between 6% (1999: 6%) and 8% (1999: 8%).

### Liquidity rate risk

As regards liquidity, the Group's policy throughout the year has been to maintain a mix of short, medium and long 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.

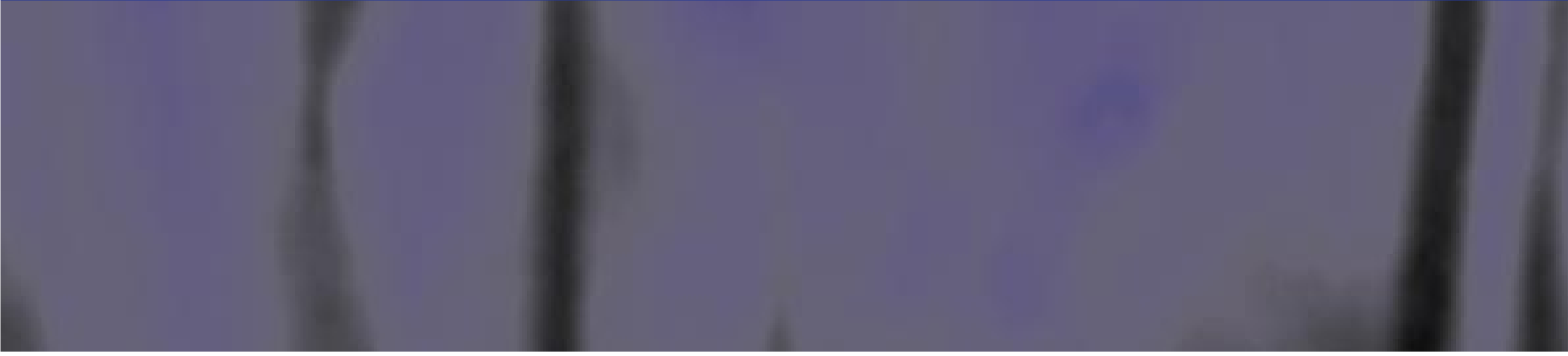
### Foreign currency risk

The Group's subsidiary, Animal Feed Supplement Inc., operates in the USA and its revenues and expenses are denominated exclusively in US dollars. In order to protect the Group's sterling balance sheet from movements in US dollar/sterling exchange rate, the Group finances its investment in this subsidiary by means of US dollar borrowings. The foreign currency risk in relation to the Group's other overseas subsidiary, George Shackleton & Sons Ltd which operates in Eire is insignificant.

### Interest rate risk profile of financial liabilities

The interest rate risk profile of the Group's financial liabilities at 2 September 2000, after taking account of the interest rate and currency swaps used to manage the interest and currency profile was:

| | **2000** | | | | 1999 | | | |
|---|---|---|---|---|---|---|---|---|
| Currency | **Total £'000** | **Floating rate financial liabilities £'000** | **Fixed rate financial liabilities £'000** | **Financial liabilities on which no interest is paid £'000** | Total £'000 | Floating rate financial liabilities £'000 | Fixed rate financial liabilities £'000 | Financial liabilities on which no interest is paid £'000 |
| Sterling | 5,608 | — | 5,566 | 42 | 4,869 | — | 4,789 | 80 |
| US Dollar | 1,637 | 1,637 | — | — | 1,602 | 1,602 | — | — |
| | 7,245 | 1,637 | 5,566 | 42 | 6,471 | 1,602 | 4,789 | 80 |



## 22 Derivatives and other financial instruments (continued)

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

The effect of the Group's interest rate swap is to classify £4 million (1999: £4m) of Sterling borrowings in the above table as fixed rate.

In addition to the above, at 2 September 2000 the Group also had £0.3 million (1999: £3.5m) borrowings which were covered by a £4 million collar at 6% floor/8% cap. The collar is applicable on the Group's bank borrowings in the range of £4 million to £8 million i.e. on £4 million additional borrowings in excess of the balance covered by the interest rate swap. The £4 million collar commenced in August 1997 and operates for five years.

### At 2 September 2000:

| | Fixed rate financial liabilities | | | | Financial liabilities on which no interest is paid | |
|---|---|---|---|---|---|---|
| | Weighted average interest rate | | Weighted average period for which rate is fixed | | Weighted average period until maturity | |
| | **2000** | 1999 | **2000** | 1999 | **2000** | 1999 |
| Currency | | | | | | |
| Sterling | **6.9%** | 6.9% | **2.21 years** | 2.81 years | **1.74 years** | 2.30 years |

The floating rate financial liability represents the US dollar denominated borrowing that bears interest at 1% over the prime rate.

**Interest rate risk profile of financial assets**

| Currency | **2000 Cash at bank and in hand £'000** | 1999 Cash at bank and in hand £'000 |
|---|---|---|
| Sterling | **49** | 15 |
| Irish punts | **91** | 87 |
| | **140** | 102 |
| Floating rate | **49** | 15 |
| Non interest bearing | **91** | 87 |
| | **140** | 102 |

Floating rate cash earns interest at the variable bank base rate.

**Currency exposures**

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

| | Net foreign currency monetary assets/(liabilities) | | | | | |
|---|---|---|---|---|---|---|
| | **2000** | | | 1999 | | |
| | **Sterling** | **EU Currencies** | **Total** | Sterling | EU Currencies | Total |
| Functional currency of Group operations: | **£'000** | **£'000** | **£'000** | £'000 | £'000 | £'000 |
| Sterling | **—** | **144** | **144** | — | 155 | 155 |
| EU currencies (excluding Sterling) | **(260)** | **—** | **(260)** | (233) | — | (233) |
| | **(260)** | **144** | **(116)** | (233) | 155 | (78) |

## 22 Derivatives and other financial instruments (continued)

**Maturity of financial liabilities**

The maturity profile of the carrying amount of the Group's financial liabilities, other than the short-term creditors such as trade creditors and accruals, at 2 September 2000 was as follows:

| | Debt £'000 | Finance leases £'000 | Other financial liabilities £'000 | **2000 Total £'000** | Debt £'000 | Finance leases £'000 | Other financial liabilities £'000 | 1999 Total £'000 |
|---|---|---|---|---|---|---|---|---|
| Within one year or on demand | 4,939 | 577 | — | **5,516** | 7,080 | 427 | — | 7,507 |
| Between one and two years | 808 | 434 | 32 | **1,274** | 798 | 261 | 32 | 1,091 |
| Between two and five years | 273 | 517 | 10 | **800** | 1,257 | 129 | 48 | 1,434 |
| Over five years | — | 260 | — | **260** | 10 | — | — | 10 |
| | 6,020 | 1,788 | 42 | **7,850** | 9,145 | 817 | 80 | 10,042 |
| Finance charges allocated to future periods | — | (271) | — | **(271)** | — | (78) | — | (78) |
| | 6,020 | 1,517 | 42 | **7,579** | 9,145 | 739 | 80 | 9,964 |

**Borrowing facilities**

The Group had various undrawn committed facilities. The facilities available at 2 September 2000, which include £3.667 million (1999: £0.507m) which would be covered by the interest rate collar arrangement referred to above, and in respect of which all conditions precedent had been met were as follows:

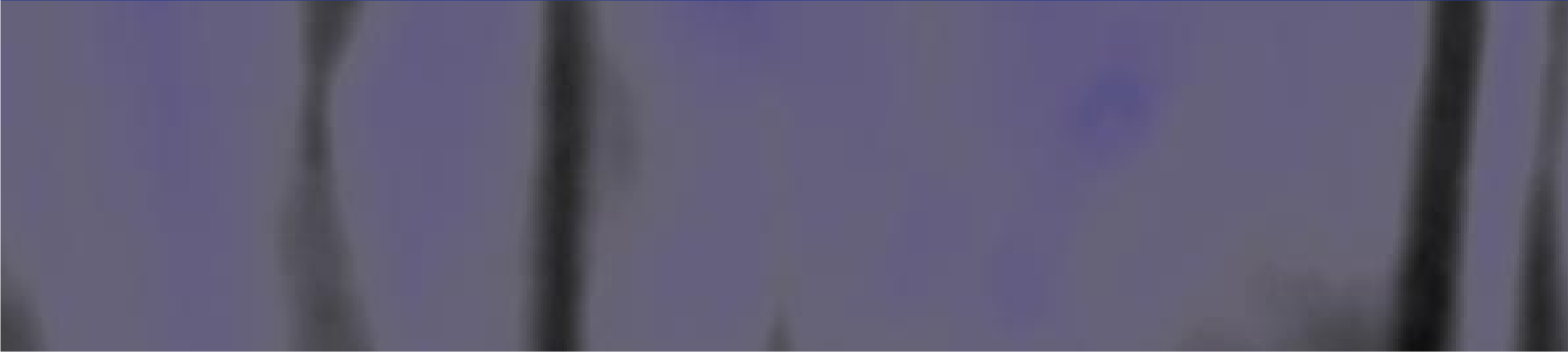
| | **2000 Floating rate £'000** | 1999 Floating rate £'000 |
|---|---|---|
| Expiring in one year or less | **6,711** | 5,018 |

The facilities expiring within one year are annual facilities subject to review at various dates during December 2000/ January 2001.

**Fair values of financial assets and financial liabilities**

The following table provides a comparison by category of the carrying amounts and the fair values of the Group's financial assets and financial liabilities at 2 September 2000. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest and exchange rates.

| | **2000 Book value £'000** | **2000 Fair value £'000** | 1999 Book value £'000 | 1999 Fair value £'000 |
|---|---|---|---|---|
| Primary financial instruments held or issued to finance the Group's operations | | | | |
| Short-term financial liabilities and current portion of long-term borrowings | **5,422** | **5,422** | 7,458 | 7,458 |
| Long-term borrowings | **2,157** | **2,157** | 2,506 | 2,506 |
| Cash at bank and in hand | **140** | **140** | 102 | 102 |
| Derivative financial instruments held to manage the interest rate and currency profile | | | | |
| Interest rate swaps | **—** | **(39)** | — | (31) |
| Interest rate collar | **—** | **(9)** | — | (8) |
| Forward foreign currency contracts | **—** | **34** | — | (17) |



**22 Derivatives and other financial instruments** (continued)

The fair values of the interest rate swap, interest rate collar and forward foreign currency contracts are based on the market price of comparable instruments at the balance sheet date. The fair value of the short-term borrowings and cash at bank approximates to the carrying amount because of the short maturity of these instruments. In the case of bank loans and other loans, the fair value approximates to the carrying value reported in the balance sheet.

**Gains and losses on hedges**

The Group enters into forward foreign currency contracts to eliminate the currency exposures that arise on purchases denominated in foreign currencies immediately those purchases are transacted. It also uses interest rate swaps to manage its interest rate profile. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures. An analysis of these unrecognised gains and losses has not been provided as the balances were under £50,000. This was also the case for the year ended 28 August 1999.

## 23 Provisions for liabilities and charges

| **Group** | Deferred tax £'000 | Legal costs £'000 | Total £'000 |
|---|---|---|---|
| At 29/8/99 | 1,328 | 250 | 1,578 |
| Utilised in year | — | (188) | (188) |
| Charged to the profit and loss account | 144 | — | 144 |
| **At 2/9/00** | **1,472** | **62** | **1,534** |

The legal costs incurred in the year to defend the alleged infringement of the trademark have been charged to the provision. The legal costs carried forward at 2 September 2000 are expected to be required to negotiate a settlement with the other party during the next year, (note 5).

| **Holding Company** | Deferred tax £'000 |
|---|---|
| At 29/8/99 | 99 |
| Transfer from profit and loss account | (68) |
| **At 2/9/00** | **31** |

**Deferred taxation**

Deferred taxation provided in the accounts is as follows:

| | **Amount provided** | | **Amount unprovided** | |
|---|---|---|---|---|
| | **2000 £'000** | 1999 £'000 | **2000 £'000** | 1999 £'000 |
| Accelerated capital allowances | **1,481** | 1,362 | — | — |
| Short term timing differences | **(9)** | (34) | — | — |
| | **1,472** | 1,328 | — | — |

No provision has been made for additional taxation which would accrue if the land and buildings were disposed of at their revalued amounts. This liability is estimated at £54,000 (1999: £125,000).

## 24 Deferred income

| Group | Grants 2000 £'000 |
|---|---|
| At 29/8/99 | 345 |
| Amortisation in the year | (55) |
| **At 2/9/00** | 290 |

## 25 Called-up share capital

| | Group and Company 2000 £'000 | 1999 £'000 |
|---|---|---|
| Authorised: | | |
| 10,500,000 ordinary shares of 25p each (1999: 10,500,000) | **2,625** | 2,625 |
| Allotted and fully paid: | | |
| 7,996,639 ordinary shares of 25p each (1999: 7,996,639) | **1,999** | 1,999 |

Option schemes

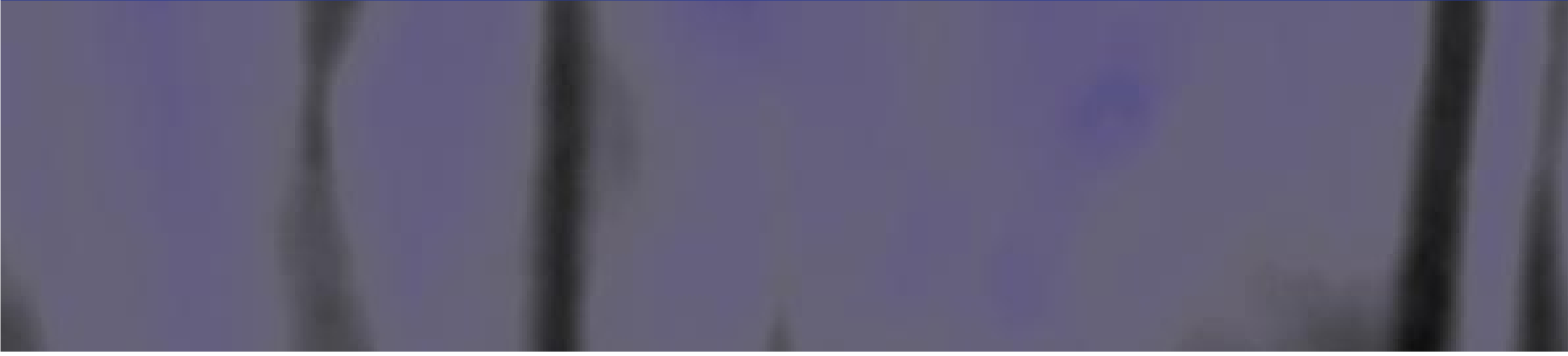
| | Outstanding share options 2000 | 1999 | Exercise Price Range | Dates of Grant |
|---|---|---|---|---|
| Executive scheme | **136,030** | 136,030 | 81.5p - 214p | 1992-1994 |
| Executive scheme 1996 | **60,000** | 60,000 | 312.5p | 1996 |
| Executive plan 1996 | **74,200** | 83,800 | 261.5p - 310.5p | 1996-1997 |
| Employee Share Option Scheme | **6,114** | 8,331 | 157p | 1994 |

Executive options are normally exercisable 3-10 years and SAYE options 7 years from their date of grant.

## 26 Reserves

| Group | Share Premium Account £'000 | Revaluation Reserve £'000 | Profit and loss account £'000 | Total £'000 |
|---|---|---|---|---|
| At 29/8/99 | 4,698 | 2,527 | 7,569 | 14,794 |
| Exchange adjustments | — | — | 101 | 101 |
| Transfer from revaluation reserve to profit and loss account | — | (31) | 31 | — |
| Retained profit for the year | — | — | 678 | 678 |
| Revaluation reserve realised on disposals | — | (403) | 403 | — |
| **At 2/9/00** | **4,698** | **2,093** | **8,782** | **15,573** |
| **Holding Company** | | | | |
| At 29/8/99 | 4,698 | — | 6,131 | 10,829 |
| Retained profit for the year | — | — | 497 | 497 |
| **At 2/9/00** | **4,698** | — | **6,628** | **11,326** |

Cumulative goodwill relating to acquisitions made prior to 30 August 1998, which has been eliminated against reserves, amounts to £5,086,000 (1999: £5,086,000).



## 27 Reconciliation of movements in equity shareholders' funds

| | **2000 £'000** | 1999 £'000 |
|---|---|---|
| Profit for the financial year | **1,398** | 2,363 |
| Dividends | **(720)** | (640) |
| Retained profit for the financial year | **678** | 1,723 |
| Exchange differences | **101** | 16 |
| Net increase in equity shareholders' funds | **779** | 1,739 |
| Opening equity shareholders' funds | **16,793** | 15,054 |
| Closing equity shareholders' funds | **17,572** | 16,793 |

## 28 Cash flow from operating activities

| **Continuing operations** | **2000 £'000** | 1999 £'000 |
|---|---|---|
| Group operating profit | **3,470** | 2,377 |
| Depreciation charge | **1,927** | 1,881 |
| Profit on disposal of fixed assets | **(17)** | (173) |
| Goodwill amortisation | **17** | 12 |
| Grants amortisation | **(55)** | (70) |
| Increase in stocks | **(172)** | (437) |
| Decrease/(increase) in debtors | **1,568** | (854) |
| Increase/(decrease) in creditors | **434** | (136) |
| Decrease in provisions | **(188)** | (89) |
| **Net cash inflow from continuing operating activities** | **6,984** | 2,511 |

## 29 Analysis of net debt

| | At 29 August 1999 £'000 | Cash flow £'000 | New finance leases £'000 | Exchange movements £'000 | **At 2 September 2000 £'000** |
|---|---|---|---|---|---|
| Cash at bank and in hand | 102 | 38 | — | — | **140** |
| Bank overdrafts | (6,282) | 2,226 | — | (75) | **(4,131)** |
| | (6,180) | 2,264 | — | (75) | **(3,991)** |
| Loans: amounts falling due within one year | (798) | (10) | — | — | **(808)** |
| Loans: amounts falling due after more than one year | (2,065) | 984 | — | — | **(1,081)** |
| Finance leases | (739) | 515 | (1,292) | (1) | **(1,517)** |
| | (9,782) | 3,753 | (1,292) | (76) | **(7,397)** |

## 30 Cash outflow relating to exceptional items

In 2000 operating cash flows include under continuing operations an outflow of £188,000 which relates to a provision created in 1999 for legal costs which are disclosed in note 5.

In 1999 operating cash flows under continuing operations included an outflow of £213,000 which relate to the same legal case which is disclosed in note 5.

## 31 Reconciliation of net cash flow to movement in net debt

| | 2000 £'000 | 1999 £'000 |
|---|---|---|
| Increase in cash in the year | 2,264 | 2,198 |
| Cash outflow from debt and lease financing | 1,489 | 1,606 |
| | 3,753 | 3,804 |
| New finance leases | (1,292) | (495) |
| Exchange adjustments | (76) | (61) |
| | 2,385 | 3,248 |
| Net debt at 29 August 1999 | (9,782) | (13,030) |
| **Net debt at 2 September 2000** | (7,397) | (9,782) |

## 32 Net cash outflow from financing

| | 2000 £'000 | 1999 £'000 |
|---|---|---|
| Repayment of loans | (974) | (900) |
| Capital element of finance lease payments | (515) | (706) |
| | (1,489) | (1,606) |

## 33 Capital commitments

| | 2000 £'000 | 1999 £'000 |
|---|---|---|
| Capital expenditure that has been contracted for but has not been provided for in the accounts | 38 | 8 |

## 34 Other financial commitments

At 2 September 2000 the Group had annual commitments under non-cancellable operating leases as follows:

| | Land and Buildings | | Other | |
|---|---|---|---|---|
| | 2000 £'000 | 1999 £'000 | 2000 £'000 | 1999 £'000 |
| Expiring within one year | 43 | — | 4 | 10 |
| Expiring between two and five years inclusive | — | 43 | 284 | 277 |
| Expiring after five years | 31 | 31 | — | — |
| | 74 | 74 | 288 | 287 |

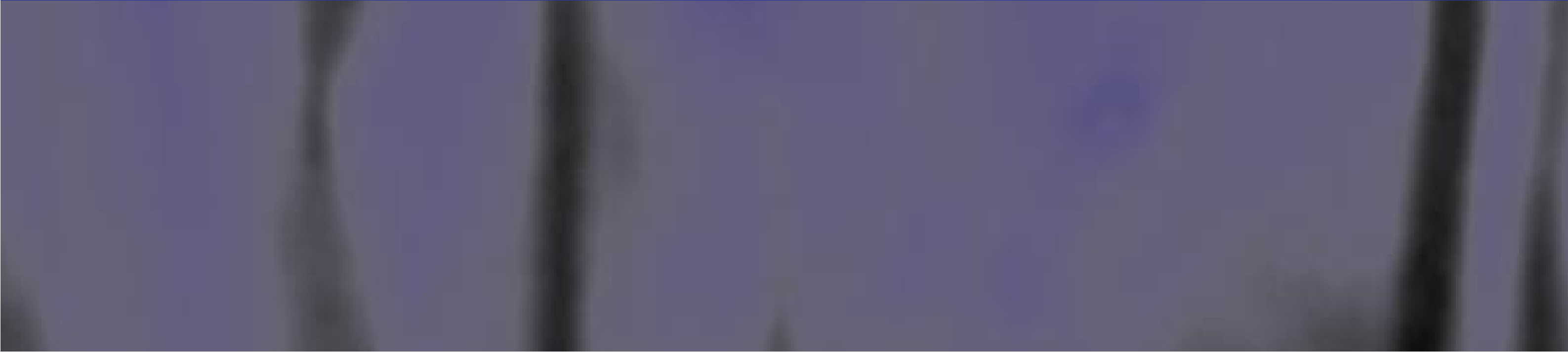
## 35 Contingent liabilities

The Company, together with certain subsidiary undertakings, has entered into a guarantee with Clydesdale Bank PLC in respect of the Group loans and overdraft with that bank, which at 2 September 2000 amounted to nil (1999: £1,440,960).

The Company, together with certain of its subsidiary undertakings, has entered into a guarantee with Royal Bank of Scotland plc in respect of the overdraft with that bank, which at 2 September 2000 amounted to £1,021,000 (1999: £88,000).

In the year, the Company entered into a guarantee with Barclays Bank PLC in respect of 50% of the overdraft that the joint venture, Carrs Billington Agriculture Limited, had with this bank, which at the 2 September 2000 amounted to £1,880,000.

One of the Group's bankers in the normal course of business, enters into certain specific guarantees with some of a subsidiary's customers. All these guarantees allow the bank to have recourse to the company if a guarantee is enforced. The total outstanding of such guarantees entered into by the bank as at 2 September 2000 were £254,000 (1999: £384,000).



### 36 Pension commitments

Following a rationalisation of the Groups pension arrangement in September 1997 the main pension scheme is now the only significant pension arrangement for the Group's employees. The assets of this scheme are held separately from those of the Group and are invested with an independent investment manager.

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 which, together with the specified contributions payable by the employees and proceeds from the scheme's assets, is sufficient on the valuation assumptions to fund the benefits payable under the scheme.

Pension scheme contributions are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the Group.

The most recent valuation of the scheme was at 1 January 1998 and adopted the Projected Unit Method. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum and that the salary increases would average 7% per annum. It was also assumed that present and future pensions, in excess of the Guaranteed Minimum Pension (GMPs), would increase once in payment at the lesser of 5% per annum and price inflation and that GMPs would increase at the rate of 3% per annum. The actuarial valuation as at 1 January 1998 shows that the market value of assets relating to the defined benefit section of the scheme was £17,736,000 and the actuarial value of those assets represented 108% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The pension expense for the defined benefit section of the scheme for the period was £422,000 (1999: £465,000). This allowed for £89,000 in respect of the amortisation of surplus over 13 years being the average remaining service lives of the employees.

A net pre-payment of £100,000 (1999:£65,000) is included in the Group net assets, representing the excess of the amount funded over the accumulated pension expense.

For the defined contribution section of the scheme the pension cost charge represents contributions payable by the Group to the fund and amounted to £74,000 (1999:£81,000). Contributions totalling £4,000 (1999:£3,000) were payable to the fund at the year end and are included in creditors.

### 37 Related party transactions

The Company participates in a joint venture with Billington Agriculture Limited and holds a 50 percent equity interest in Carrs Billington Agriculture Limited. The principal activity of the joint venture company is the manufacture of animal feed.

During the period the Group made sales to Carrs Billington Agriculture Limited of £110,000 (1999: £30,000) through Carrs Agriculture Limited and £131,000 (1999: £nil) through Carrs Engineering Limited.

The Group made purchases from Carrs Billington Agriculture Limited of £7,502,000 (1999: £6,680,000) through Carrs Agriculture Limited.

At 2 September 2000, debtors included £73,000 (1999: £33,000) due from Carrs Billington Agriculture Limited.

Creditors at 2 September 2000, included £388,000 (1999: £168,000) due to Carrs Billington Agriculture Limited.

Included in investments at 2 September 2000 is a loan of £550,000 (1999: £nil) due from Carrs Billington Agriculture Limited.

### 38 Post balance sheet event

On 14 September 2000 a group subsidiary acquired the share capital of Central Farmers (2000) Limited for £2. This new company based in Fife, Scotland is to supply animal feed, fertiliser and other agricultural products to the farming community in Central Scotland.

# five year statement

| Sales and results | 1996 £'000 | 1997 £'000 | 1998 £'000 | 1999 £'000 | **2000 £'000** |
|---|---|---|---|---|---|
| **Group Turnover:** Continuing operations | 95,009 | 100,968 | 97,132 | 97,336 | **97,994** |
| **Operating profit:** | | | | | |
| Continuing operations | 3,745 | 3,980 | 748 | 2,377 | **3,470** |
| Share of profit of associate - discontinued | 434 | 653 | 492 | 558 | **—** |
| Share of loss of joint venture | — | — | — | (10) | **(629)** |
| (Loss)/profit on disposal of fixed assets | — | — | (1,826) | 75 | **—** |
| Profit on sale of investment | — | — | — | — | **111** |
| Profit on sale of associate | — | — | — | 1,434 | **—** |
| Other income and expenses | 135 | 1 | 1 | 6 | **1** |
| **Profit/(loss) on ordinary activities before interest** | 4,314 | 4,634 | (585) | 4,440 | **2,953** |
| Interest payable and similar charges | (788) | (983) | (1,258) | (1,123) | **(787)** |
| **Profit/(loss) before taxation** | 3,526 | 3,651 | (1,843) | 3,317 | **2,166** |
| Taxation (charge)/credit | (1,214) | (1,119) | 292 | (940) | **(700)** |
| **Profit/(loss) after taxation** | 2,312 | 2,532 | (1,551) | 2,377 | **1,466** |
| Minority interest | (22) | (74) | 130 | (14) | **(68)** |
| **Attributable profit/(loss)** | 2,290 | 2,458 | (1,421) | 2,363 | **1,398** |
| Dividends | (818) | (919) | (400) | (640) | **(720)** |
| **Retained profit** | 1,472 | 1,539 | (1,821) | 1,723 | **678** |
| **Net assets employed** | | | | | |
| Fixed assets | 18,861 | 19,966 | 20,295 | 18,324 | **19,018** |
| Net current assets | 5,909 | 4,384 | 195 | 3,187 | **2,863** |
| | 24,770 | 24,350 | 20,490 | 21,511 | **21,881** |
| Non-current liabilities | (4,563) | (4,044) | (3,263) | (2,506) | **(2,157)** |
| Provisions for liabilities and charges including deferred tax and pensions | (1,836) | (1,805) | (1,483) | (1,578) | **(1,534)** |
| Deferred income | (590) | (510) | (415) | (345) | **(290)** |
| | 17,781 | 17,991 | 15,329 | 17,082 | **17,900** |
| **Ratios** | | | | | |
| Operating margin (continuing operations) | 3.9% | 3.9% | 0.8% | 2.4% | **3.5%** |
| Return on assets employed (excluding profit/(loss) on disposal of fixed assets) | 19.8% | 20.3% | (0.1%) | 10.6% | **11.5%** |
| Earnings/(loss) per share – basic | 31.7p | 30.8p | (17.8p) | 29.5p | **17.5p** |
| – alternative | 31.7p | 30.8p | 5.3p | 19.8p | **20.2p** |
| Dividends per ordinary share | 10.5p | 11.5p | 5.0p | 8.0p | **9.0p** |

# notice of annual general meeting

Notice is hereby given that the Ninety Second Annual General Meeting of Carr's Milling Industries PLC will be held at the Crown Hotel, Wetheral, Carlisle on Tuesday 9 January, 2001 at 11.30 a.m. for the transaction of the following business.

**Ordinary Business**

1. To receive and adopt the Report of the Directors and Financial Statements for the year ended 2 September 2000.
2. To declare a final dividend of 6.0p per share on the Ordinary Share Capital.
3. To re-elect as a Director A R Heygate who retires by rotation.
4. To re-appoint PricewaterhouseCoopers as Auditors and to authorise the Directors to fix their remuneration.

**Special Business**

To consider as Special Resolutions:

5. That the directors be and they are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the company to allot relevant securities up to an aggregate nominal amount of £665,720 during the period commencing on the date of the passing of this Resolution for a period expiring (unless previously renewed, varied or revoked by the Company in General Meeting) five years after the passing of this Resolution, 8 January 2006, but so that this authority shall allow the company to make offers or agreements before the expiry of this authority which would or might require securities to be allotted after such expiry and the directors may allot relevant securities pursuant to any such offer or agreement. Words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meanings in this Resolution.

6. That in accordance with Chapter VII of Part V of the Companies Act 1985, the Company be generally and unconditionally authorised to make market purchases (as defined in section 163(3) of that Act) of its own ordinary shares of 25p each ("ordinary shares") on such terms and in such manner as the directors may, from time to time, determine provided that:

(i) The maximum number of ordinary shares hereby authorised to be purchased is 799,664;

(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 2002, if earlier, on 8 April 2002, 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.

7. 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 1996 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 £99,958, 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.

Stanwix
Carlisle CA3 9BA
13 November 2000

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) details of the beneficial and non-beneficial interests of all directors in the shares of the Company and its subsidiaries, and of all transactions in those shares in the year ended 2 September 2000.

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

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