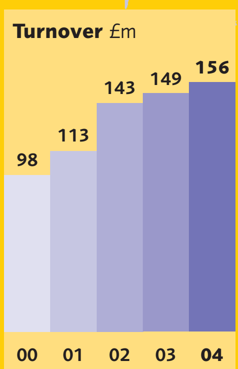
Carr's Milling Industries activities are focussed in Agriculture, Food and Engineering with increased Annual Sales of

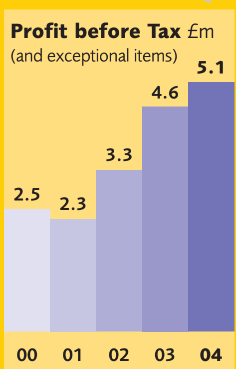
£155.7m

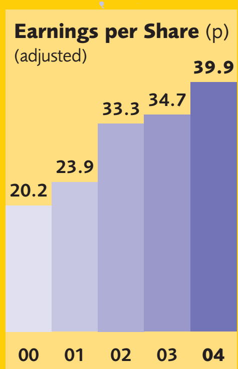
Contents

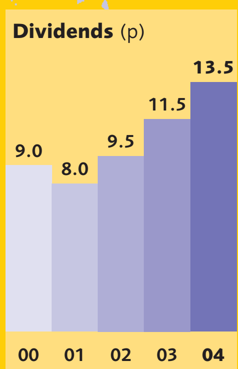
Financial Highlights

	2004 £'000	2003 £'000
Group turnover	**155,749**	148,688
Group operating profit	**5,036**	4,011
Profit before tax and exceptional items	**5,127**	4,570
Profit before tax	**5,127**	4,066
Net cash inflow from operating activities	**6,256**	5,504
Net debt	**5,758**	5,615
Group capital employed	**25,310**	23,235
Earnings per share		
Basic	**39.9p**	30.5p
Adjusted	**39.9p**	34.7p
Dividends		
Interim paid	**4.5p**	4.0p
Final proposed	**9.0p**	7.5p
Total	**13.5p**	11.5p









Chairman's Statement by David Newton

It is a pleasure to report a sixth successive annual increase in adjusted earnings per share.

Financial review

On turnover up 4.7% at £155.7 million (2003: £148.7 million), total operating profit increased by 22.0% to £5.77 million (2003: £4.73 million), whilst pre-tax profit was 26.0% ahead at £5.13 million (2003: £4.07 million), despite a £0.4 million increase in pension costs. Basic earnings per share advanced by 30.8% to 39.9p (2003: 30.5p). If 2003's £0.50 million exceptional reorganisation costs are disregarded, the increases in operating profit, pre-tax profit and earnings per share are 10.4%, 12.3% and 15.0%, respectively.

Year end equity shareholders' funds increased by 8.1% to £24.04 million (2003: £22.24 million), representing net assets per share of 297.7p (2003: 275.4p). Net debt increased slightly to £5.76 million (2003: £5.62 million), giving gearing of 24.0% (2003: 25.2%). Net interest payable is similar to last year at £0.65 million (2003: £0.66 million) and was covered 8.9 times (2003: 7.1 times) by profit before interest and tax.

Dividends

A final dividend per share of 9.0p (2003: 7.5p), up 20.0%, is proposed, payable on 21 January 2005 to shareholders on the register at close of business on 17 December 2004, with an ex-dividend date of 15 December 2004.

Together with the interim dividend per share of 4.5p (2003: 4.0p), proposed dividends per share are 17.4% higher at 13.5p (2003: 11.5p), covered 3.0 times (2003: 2.7 times, or 3.0 times if exceptional items are disregarded).

If approved at the AGM to be held at 11.30 a.m. on 6 January 2005 at the Crown Hotel, Wetheral, Carlisle, the final dividend will be paid on 21 January 2005 to shareholders.

Business

Agriculture achieved an operating profit of £5.73 million (2003: £5.03 million, after one-off costs of £0.26 million) on a turnover of £124.4 million (2003: £120.8 million). This outcome reflected further improvements in the performance of UK

The results we have achieved are due to

the commitment

of all the Group's employees

animal feed and fertiliser outweighing a decreased contribution from US animal feed after an exceptionally good previous year.

Food's operating profit was halved at £0.27 million (2003: £0.60 million) on a turnover of £22.0 million (2003: £20.3 million) following the exceptionally large rise in raw material costs, in particular in the first half.

Engineering broke even (2003: made an operating loss of £0.68 million, after one-off costs of £0.24 million) on an increased turnover of £9.3 million (2003: £7.6 million). This result benefited from the closure of Keytor in March 2003 and the subsequent consolidation of R Hind from three sites to one.

Board

In May 2004, Ian C. Carr died, aged 75, following a brief illness. Ian Carr, a great grandson of Jonathan Dodgson Carr, who founded Carr's in 1836, was appointed Chairman of Carr's in April 1964, aged 35, and remained in that position until his retirement on his 70th birthday in August 1998. Thereafter, he was President of Carr's, representing the Company on many occasions. Ian was a model of good practice, acting as an example of what we should all aspire to be. Together with his wife, Rilla, they formed a partnership which was well known locally and one we shall all miss.

In September 2004, Lord Inglewood, aged 53, was appointed a non-executive Director of Carr's. Richard Inglewood was a Conservative member of the European Parliament for ten years until his retirement in 2004, and has been a member of the House of Lords since 1989. He brings to the Board wide experience, in particular of EU and Westminster politics, allied with a knowledge of farming and of Carr's north west England heartland.

Outlook

Despite having to absorb higher energy costs across the Group, mainly for electricity, the current year is expected to show further growth in all three Divisions, especially in Food, where gross margins in flour have returned to a more normal level following unprecedented wheat price increases last year. With the growth of the existing business combined with the Meneba UK acquisition, the Board considers that Carr's is well placed for further progress.

David Newton

David Newton
Chairman
8 November 2004

Chief Executive's Review by Chris Holmes

In the year ended 28 August 2004, Agriculture and Engineering improved their results whilst Food's operating profit halved in unusually difficult market conditions for flour. As usual, Agriculture was much the most important of the three Divisions in terms of both turnover and profit.

Agriculture

Feed
The Group's animal feed business comprises the UK manufacture of compound feed by Carrs Billington Agriculture (in association with Edward Billington & Sons Limited) at Carlisle (Cumbria), Penrith (Cumbria) and Stone (Staffordshire); and the blending of animal feeds at Askrigg (North Yorkshire) and Kirkbride (Cumbria).

Carrs Billington Agriculture's compound feed volumes were well ahead of last year, but margins were squeezed due to under-recovery of unprecedented raw material cost increases in grain and proteins.

The low-moisture animal feedblock business comprises the UK manufacture by Caltech at Silloth (Cumbria) and in the US by Animal Feed Supplements at Belle Fourche (South Dakota) and Poteau (Oklahoma).

Caltech's *Crystalyx* low-moisture animal feedblock again increased turnover in both the UK and Continental Europe. Its *Calflyx Easy Breather*, a new product launched for calves, exceeded all expectations. Caltech also benefited from the first full year of molasses being imported into the port at Silloth.

In the USA in 2003, Animal Feed Supplement benefited from the US Government's Drought Assistance Programme, which subsidised feed supplement products for ranchers in certain states, thereby achieving a record sales increase in that year of 29%. In 2004, sales were lower as ranchers used subsidised stock of *Feed in a Drum* and *Smartlic*, in particular in the first half of the financial year. Underlying growth continued to be achieved as new markets were entered. The strength of the pound versus the US dollar also had a negative impact on profit of £0.1 million.

Sales of machinery

remain strong

throughout the United Kingdom

Fertiliser
Carrs Fertiliser operates three blending sites, at Invergordon (Easter Ross), Montrose (Angus) and Silloth (Cumbria), producing a wide range of fertilisers.

Following the successful rationalisation of production facilities with the planned reduction of sales volumes shedding certain low margin business the profitability improved to respectable levels. The investment in Silloth and Montrose to enhance capacity and efficiency enabled demand to be met at the critical time of usage.

Retail
Following the closure in March 2004 of a small branch at Pitscottie (Fife), Carr's Retail comprises 14 branches, from Perth in the north to Leek (Staffordshire) in the south, selling farm supplies.

Turnover increased by 13%, reflecting the opening in October 2003 of a larger branch in Cockermouth (Cumbria), which performed ahead of expectations, and the addition of new products to the portfolio.

Machinery
Carr's Machinery distributes new and used agricultural and groundcare machinery from six of the retail branches, in the north west of England and the south west of Scotland. These branches have modern workshops that test equipment and provide a comprehensive store of spare parts.

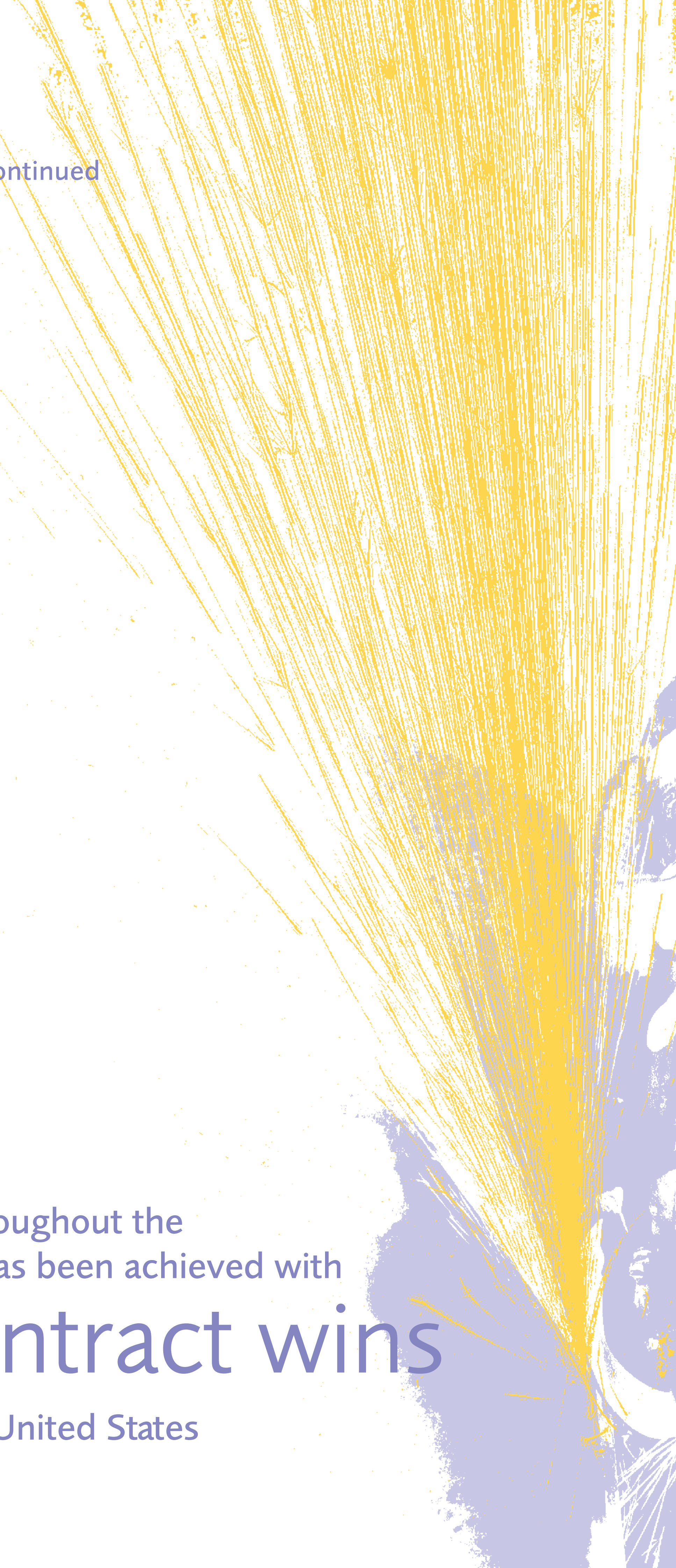
Turnover and profit again exceeded expectations, and were only slightly down on last year, which was a record.

Food

Carr's principal food company is Carr's Flour Mills, a cereals processing company with flour mills at Silloth using the latest milling technology to meet the quality and specialist requirements of bakers, food manufacturers and retailers.

Following a difficult first half as the result of considerable under-recovery of the 60% increase in UK wheat prices in the eight months to January 2004,

Chief Executive's Review continued



the second half performed better, with selling price increases being effective from the early months of 2004. The high-quality *Carrs Breadmaker* brand, which was launched two years ago, while a small percentage of divisional turnover, continues to be a good seller, with listings in three major multiple retailers.

On the 29 November 2004 we exchanged contracts to acquire, for a cash consideration of £4.7 million, the flour milling business of Meneba UK which has two flour mills, Robert Hutchinson at Kirkcaldy, Fife and Greens Flour Mills at Maldon, Essex. The acquisition is subject to shareholder approval at the Extraordinary General Meeting on 18 November 2004 and the details of the acquisition were forwarded in a Circular to shareholders on 1 November 2004.

The enlarged milling group will have a strong market presence in the northern part of the UK and will increase its activity in the area of speciality mixes under both the Carrs and the Greens names. The acquisition will be an excellent strategic fit for Carrs and will more than double the size of our flour business and is expected to be earnings enhancing in the year to August 2005.

Engineering

Engineering now comprises Bendalls and R Hind, both of which are based in Carlisle, and Carrs MSM, which is based in Swindon. Bendalls, whose specialism is precision welding, designs and manufactures plant and equipment for the petro-chemical, oil and gas, nuclear power, pharmaceutical, process and water industries. R Hind provides vehicle body building and accident repairs for cars and commercial vehicles. Carrs MSM designs and manufactures master slave manipulators, which are key components for many industries but notably the nuclear industries.

Consistent growth throughout the engineering division has been achieved with

major contract wins

in Azerbaijan and the United States

Bendalls performed better, with a steady order book throughout the year and improved overall margins; the business has won substantial orders in recent months. Our involvement in renewable energy continues and funding for phase 2 of the underwater turbine project "SeaGen" is agreed. The design of "SeaGen" should be approved in early 2005 with manufacture to progress thereafter. R Hind had a disappointing year, with tight margins and some unprofitable work. Carrs MSM, which was set up in December 2003, has a small but satisfactory order book, with its main customer being British Nuclear Fuels Limited.

In October 2004, Carr's completed the disposal of its site at London Road, Carlisle, where Bendalls Engineering, its high integrity welding business, is based.

The cash consideration receivable by Carr's is £2.6 million. In addition, the purchaser is committed to build a new 55,000 sq ft factory for Bendalls at Kingstown Industrial Estate which is expected to cost £2.7 million, bringing the total consideration to £5.3 million. The cash consideration will be used to equip the new factory and for general working capital purposes.

The total book value of the net assets disposed of is £0.8 million. Accordingly, the profit on disposal is expected to be approximately £4.5 million, which will be accounted for as an exceptional gain in the current year to 3 September 2005. A further benefit, the Directors believe, is that the change in location will enable Bendall to operate from a more efficient factory.

Bendalls will remain operating from the London Road site until the completion of the new factory and the equipping thereof to its own specifications at a cost to it of £0.75 million, which is expected to be in August 2005.

Staff

I would like to take this opportunity to endorse the Chairman's comments about Ian C. Carr. In addition to Ian's contribution to the company over 40 years making Carr's Milling Industries what it is today, his wonderful presence and approach to life and business will be remembered by employees, customers and shareholders alike.

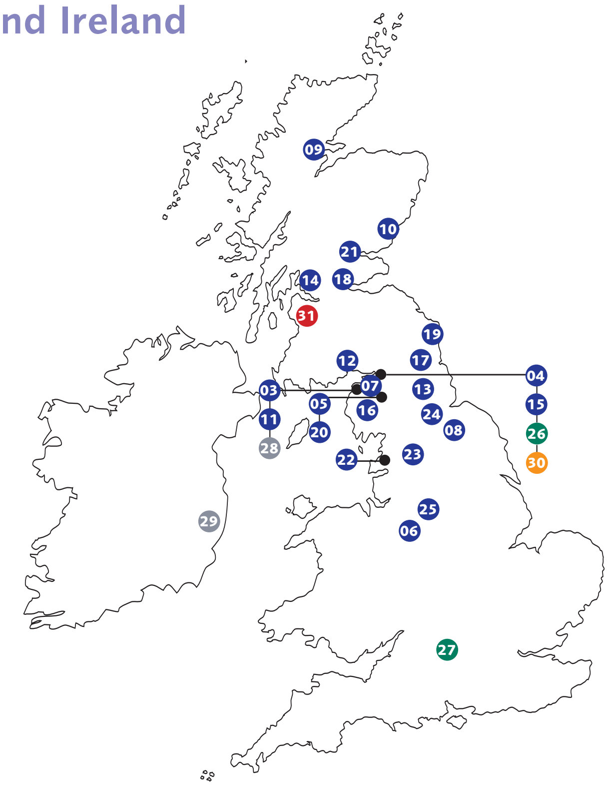
Again, I would like to thank all my colleagues in the UK, the Republic of Ireland and the USA for their individual contributions in achieving a further set of record profits.

Chris Holmes

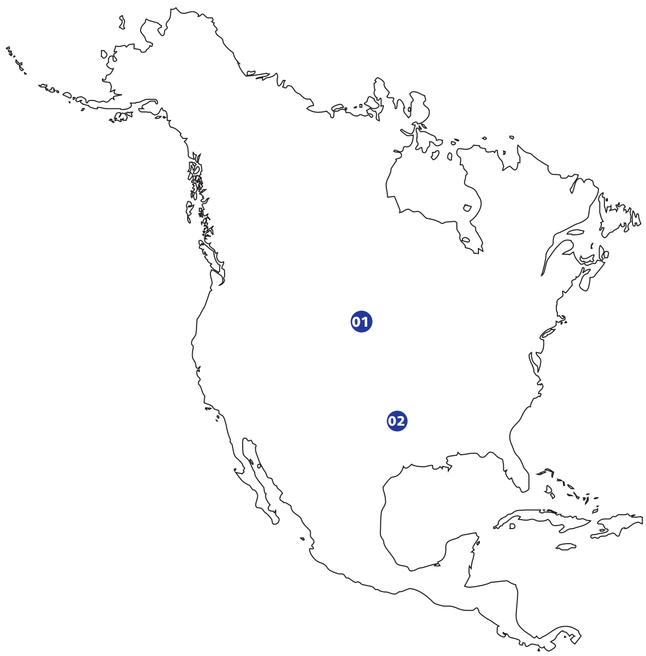
Chris Holmes
Chief Executive Officer
8 November 2004

Location of Operations

The United Kingdom and Ireland



North America



Agriculture

Animal Feed Supplements Inc. USA
01 Belle Fourche, South Dakota
02 Poteau, Oklahoma

Caltech
03 Silloth

Feed Mills
(Carrs Billington Agriculture Operations)
04 Carlisle
05 Penrith
06 Stone
07 Kirkbride
08 Askrigg

Fertiliser
09 Invergordon
10 Montrose
11 Silloth

Retail
(Carrs Billington Agriculture Sales)
12 Annan
13 Barnard Castle
14 Buchlyvie
15 Carlisle
16 Cockermouth
17 Hexham
18 Milnathort
19 Morpeth
20 Penrith
21 Perth
22 Brock
23 Gisburn
24 Hawes
25 Leek

Engineering

26 Bendalls, Carlisle
26 Hinds, Carlisle
27 Carrs MSM, Swindon

Food

28 Carr's Flour Mills, Silloth
28 Carrs Blends, Silloth
28 John Stronach (Shipbrokers), Silloth
29 George Shackleton, Dublin

Head Office

30 Carr's Milling Industries PLC, Carlisle

Travel

31 B&A Travel, Beith

Registered Office and Advisers

Registered Office
Carr's Milling Industries PLC
Old Croft, Stanwix
Carlisle CA3 9BA
Registered No. 98221

Independent Auditors
PricewaterhouseCoopers LLP
89 Sandyford Road
Newcastle upon Tyne NE99 1PL

Bankers
Clydesdale Bank PLC
82 English Street
Carlisle CA3 8HP

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

Financial Adviser and Broker
Investec Bank (UK) Limited
2 Gresham Street
London EC2V 7QP

Solicitors
Atkinson Ritson
15 Fisher Street
Carlisle CA3 8RW

DLA
India Buildings
Water Street
Liverpool L2 0NH

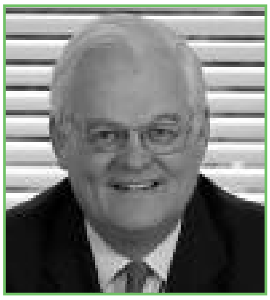
Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Board of Directors

David Newton
Chairman

Chris Holmes
Chief Executive

Ron Wood
Finance Director



Robert Heygate
Non-Executive Director

Lord Inglewood
Non-Executive Director

Directors' Report

The directors present their Annual Report together with the audited financial statements for the year ended 28 August 2004.

Principal activities

The principal activities are Agriculture, Food and Engineering and are described in the Chairman's Statement and the Chief Executive's Review on pages 2 to 7. The financial statements for the year ended 28 August 2004, including other information about the Group's financial position, are set out on pages 20 to 50.

Dividends

An interim dividend of 4.5p per ordinary share was paid on 25 May 2004. The directors now recommend the payment of a final dividend for the year of 9.0p per ordinary share, totalling £1,090,000 (2003: 11.5p per ordinary share, totalling £930,000). Subject to approval at the Annual General Meeting, the final dividend will be paid on 21 January 2005 to members on the register at the close of business on 17 December 2004. Shares will go ex-dividend on 15 December 2004.

Share capital

No ordinary shares were issued in the year. The total number of ordinary shares in issue at 28 August 2004 was 8,073,599.

Share options

Details of all options granted but not exercised or lapsed at 28 August 2004 are shown in note 22 to the financial statements.

Post balance sheet events

Details of post balance sheet events are given in note 35 to the accounts.

Employees

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.

Employment policies are designed to provide equal opportunities irrespective of colour, ethnic or natural origin, nationality, sex, religion and marital or disabled status.

Directors and their interests

The directors of the Company at 28 August 2004 have been directors for the whole of the year ended on that date. Lord Inglewood was appointed as a director from 1 September 2004.

Lord Inglewood was appointed a director since the last annual general meeting, on 1 September 2004, and in accordance with the Company's Articles of Association is required to retire at the first annual general meeting after his appointment. Lord Inglewood offers himself for election.

In accordance with the Company's Articles of Association, Mr R C Wood retires by rotation at the forthcoming annual general meeting and being eligible, offers himself for election.

Biographical details of the directors are shown below:

Non-executive directors

Mr D A Newton (62) 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 private companies.

Mr A R Heygate (59) is an executive director of Heygate & Sons Limited, the UK's largest independent flour miller and is also engaged in animal feed compounding and other agricultural activities.

Lord Inglewood (53) was a Conservative member of the European Parliament for ten years until his retirement in 2004, was a Government Minister from 1995 to 1997 and has been a member of the House of Lords since 1989. He brings to the Board wide experience, in particular of EU and Westminster politics, allied with a knowledge of farming and of the Group's north-west England heartland.

Mr D A Newton and Mr A R Heygate have two year fixed term contracts which expire on 31 August 2005. Lord Inglewood has a two year fixed term contract which expires on 31 August 2006.

Executive directors

Mr C N C Holmes (53) was appointed to the Board in January 1992, and as CEO in September 1994. Previously he held senior management positions in the agricultural division of J Bibby & Sons.

Mr R C Wood (56) was appointed to the Board as Finance Director in January 1988 and is a member of the Chartered Institute of Management Accountants. Mr R C Wood is also Company Secretary.

The two executive directors have a rolling two year service contract, which provides for a two year notice.

The interests of the directors, as defined in the Companies Act 1985, in the ordinary shares of the Company, other than in respect of options to acquire ordinary shares (which are detailed in the analysis of options included in the Directors' Remuneration Report on pages 16 to 19) are as follows.

	Ordinary Shares of 25p each	
	on 28 August 2004	on 30 August 2003
	Number	Number
A R Heygate	37,225	37,225
C N C Holmes	32,000	32,000
D A Newton	15,000	15,000
R C Wood	9,500	9,500

All the above interests are beneficial and there have been no changes since the year end.

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

Significant shareholders

As at 2 November 2004, 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	1,332,762	16.51%
T W G Charlton	1,199,495	14.86%
HSBC Global Custody Nominee (UK) Limited	350,000	4.33%

Charitable and political contributions

Charitable donations made by the Group during the year amounted to £7,535 (2003: £10,990). No political contributions were made (2003: 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 subsidiary is 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 36 days (2003: 36 days) of average daily purchases from suppliers.

The Company has no trade creditors in either period.

International Financial Reporting Standards

In common with all UK listed companies the Company is required to comply and adopt International Financial Reporting Standards for the first financial statements commencing on or after 1 January 2005. Therefore the first accounting period affected will be for the year ending 31 August 2006. The adoption of International Financial Reporting Standards will have both accounting and business implications and the Company is preparing an impact assessment, which is expected to be completed before the end of 2004.

Pensions

The directors have considered the financial impact on the Group of the deficit which exists in the Carr's Milling Industries Pension Scheme 1993 and confirmed its continuing support of the defined benefit section of the scheme. The directors will continue to regularly monitor the performance of the scheme investments and take action should the scheme's deficit increase.

Land and buildings

The Group has entered into an agreement that values the Bendall's site at £4.5m in excess of its carrying value.

Directors' Report

continued

Authority to purchase own shares

At the year end the shareholders' authority to the directors to purchase up to 807,360 of its own shares was in place. No shares where purchased in the year.

Annual General Meeting

The Notice of this year's Annual General Meeting appears on page 52 and will be held at 11.30 a.m. on Thursday 6 January 2005 at the Crown Hotel, Wetheral, Carlisle.

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

(i) Resolution 7: Disapplication of pre-emption rights
The resolution renews the existing authority to the Directors under Section 95 of the Companies Act 1985 to allot shares by way of rights to shareholders and to allot shares for cash up to a nominal value of £100,920 (representing 5 per cent of the issued share capital) without first offering such shares pro rata to existing shareholders, as would otherwise by required under Section 89 of that Act. This will allow the Directors some flexibility when considering how best to finance new business opportunities. In accordance with the requirements of the London Stock Exchange this resolution will come up for renewal at the next Annual General Meeting.

(ii) Resolution 8: Purchase its own shares
This resolution renews the existing authority to the directors to buy, by way of market purchases, up to 807,360 of its own shares (representing 10 per cent of the issued share capital). The proposal should not be taken as an indication that the Company will purchase its own shares. This authority will only be exercised by the Directors if they are satisfied that it would result in an increase in earnings per share and would be in the best interest of shareholders generally.

Statement of Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 28 August 2004. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. In addition, they are responsible for taking reasonable steps to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

By Order of the Board

Ronald C Wood
Secretary
Stanwix
Carlisle CA3 9BA
8 November 2004

Corporate Governance

The Company remains committed to high standards of corporate governance. All listed companies are obliged to report on how they apply the Principles of Good Governance set out in the Combined Code issued in June 1998 and whether they complied with the Code's Provisions throughout the accounting period. The Board complied throughout the year with the provisions set out in the Combined Code issued in June 1998 apart from those relating to the following:

- a senior independent non-executive director was appointed after the year end on 1 September 2004;
- one of the two non-executive directors is not independent, however a third non-executive director was appointed on 1 September 2004;
- bonuses and benefits in kind paid to executive directors are pensionable;
- the directors' contract periods are two years;
- there are no specific provisions for compensation on early termination;
- the Remuneration Committee comprised both non-executive directors, albeit one director is not independent, however a third non-executive director was appointed on 1 September 2004; and
- the Audit Committee comprised the two non-executive directors instead of at least three non-executive directors, a majority of whom should be independent, however a third non-executive director was appointed on 1 September 2004.

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

Board structure and committees

The Board at 28 August 2004 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 directors are set out on page 10. The Audit Committee and Remuneration Committee both have written terms of reference.

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. The Group Chief Executive's responsibilities are to direct and promote 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 on 1 September 2004, Lord Inglewood was appointed a director of the Company. Lord Inglewood will be the senior independent non-executive director. 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 contract 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 with the Combined Code.

The Board meets regularly and has reserved certain items for its review and approval, including the annual and interim results, the annual profit and cash flow 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 comprised David Newton as Chairman and the other non-executive director. From 1 September 2004 Lord Inglewood will be appointed to this Committee. The report on directors' remuneration is set out on pages 16 to 19.

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.

Corporate Governance

continued

The Board has established an Audit Committee comprising the non-executive directors, with Robert Heygate as Chairman. From 1 September 2004 Lord Inglewood will be appointed to this Committee. The Committee is responsible inter alia for safeguarding 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 for Board approval. The Committee also has meetings with the auditors at least twice a year. The Group does not have an internal auditor, which is kept under annual review, 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 Control

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, the maintenance of proper accounting records and the reliability of financial information.

The Combined Code required directors to introduce procedures and review the effectiveness of the Group's system of internal control, including financial, operational and compliance controls and risk management. 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. These procedures have been in place for the year under review and up to the date of approval of the annual report and accounts. The Board reviewed the internal controls this year and it is intended that these procedures will be kept under review each year and adjusted as appropriate.

The Board's risk management 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 for identifying the risks facing each business and then establish procedures or putting 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.

The Group has comprehensive budgets and detailed monthly reporting, together with daily cash reporting. The annual budget is reviewed with senior management and submitted to the Board for approval. Revised forecasts for the year are prepared if results are deviating significantly from the budget.

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. All shareholders have access to the Company's website at www.carrs-milling.com.

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

Based on normal business planning and control procedures 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 in the preparation of the Group's financial statements.

By Order of the Board

Ronald C Wood
Secretary
Stanwix
Carlisle CA3 9BA
8 November 2004

Independent Auditors' Report to the Members of Carr's Milling Industries PLC

We have audited the financial statements which comprise the consolidated profit and loss account, the statement of group total recognised gains and losses, the note of group historical cost profits and losses, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. The directors are also responsible for preparing the directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the directors' remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you 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 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. The other information comprises only the chairman's statement, the chief executive's review, the directors' report, the corporate governance statement and the unaudited part of the directors' remuneration report.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code issued in June 1998 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its risk 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 and the auditable part of the directors' remuneration report. 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 and the auditable part of the directors' remuneration report 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 28 August 2004 and of the profit and cash flows of the group for the year ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
8 November 2004

Notes

(a) The maintenance and integrity of the Carr's Milling Industries PLC website is the responsibility of the directors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Remuneration Report

Remuneration Committee

All matters relating to executive remuneration are determined by the Remuneration Committee, a sub-committee of the Board of Directors. The Remuneration Committee, comprises the Chairman and A R Heygate, the other non-executive director of the Company. As appropriate, the Committee may invite the Chief Executive Officer to participate in some of its discussions. The Committee is responsible for determining the terms and conditions of employment of executive directors. It is also responsible for considering management recommendations for remuneration and employment terms of the Company's senior staff, including incentive arrangements for bonus payments and grant of share options.

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

Details of Remuneration

The remuneration of directors is set out in detail on page 18. The Company's Remuneration Committee decides the remuneration policy that applies to executive directors and the Group's other senior management.

Each of the executive directors has a two-year rolling contract. The most recently executed contracts for the executive directors were dated 10 June 2002. In the event of termination the executive directors would be entitled to loss of salary, benefits and pensionable service for the notice periods. The contracts of non-executive directors of the Company are fixed for two years and the most recent executed contracts for D A Newton and A R Heygate were 1 September 2003. Lord Inglewood has a two year fixed contract which expires on 31 August 2006.

The Company's policy is that a proportion of the remuneration of the executive directors should be performance related. As described below, executive directors may earn annual incentive payments together with the benefits of participation in Share Option Schemes.

Constituent Elements of Remuneration Package

In applying the above principles to the determination of executive director remuneration, the Remuneration Committee gives consideration to several components which together comprise the total remuneration package; these consist of the following:

- **Basic Salary** is determined by the Committee at the beginning of each year. In deciding appropriate levels, the Committee considers the position in the Group, personal and Company performance and relies on information on a comparable group of companies. Basic salaries were last reviewed in August 2004, with increases taking effect from 1 September 2004. The next review will take place in August 2005. Executive directors' contracts of service, which include details of remuneration, will be available for inspection at the Annual General Meeting.

- **Annual Bonus** is paid up to a maximum of 40% of Basic Salary on achievement of profit targets, and is pensionable.

- **Benefits in Kind** comprise private healthcare, which is pensionable and critical illness/death in service cover.

- **Pension Contribution**. The Company's defined benefit pension scheme aims at producing a pension of two-thirds final pensionable salary at normal retirement age of 60. 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 28 August 2004	52	56
	£'000	£'000
Directors' contributions during the year	—	10
Increase in accrued pension entitlement for the year		
excluding inflation	—	7
including inflation	2	9
Total accrued pension entitlement		
At 28 August 2004	63	93
At 30 August 2003	61	84
Transfer value of pension		
At 28 August 2004	858	1,504
At 30 August 2003	719	1,251
Increase in transfer value less contributions made by directors	139	243

The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year. Members of the scheme have the option to pay additional voluntary contributions, neither the contributions nor the resulting benefits are included in the table on page 16.

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

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

For the element of gross salary in excess of the Inland Revenue limits the Group has established for C N C Holmes a funded unapproved retirement benefit scheme (FURBS).

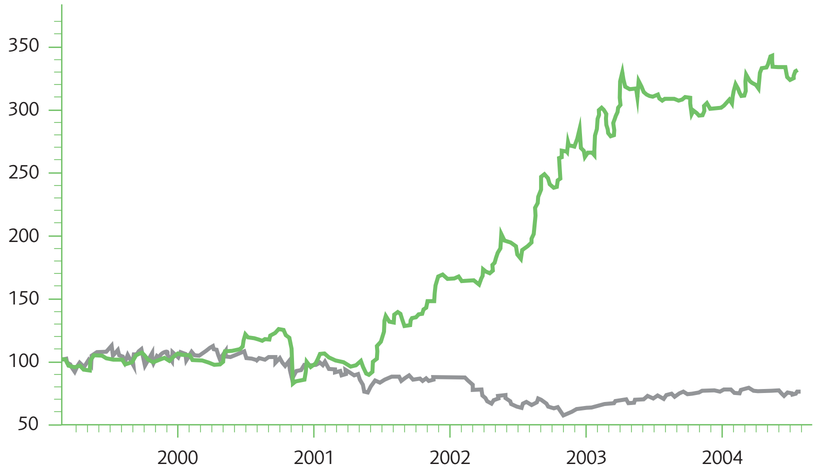
This arrangement attempts to provide for a pension of two-thirds of his final pensionable salary at age 60, inclusive of benefits from his previous employment, and a surviving spouse's pension of two-thirds of his pension. Pensions in payment are to be increased annually by the increase in RPI. As a result of the recently announced changes to the funding of pensions, to be effective from April 2006, the Company ceased contributing to the FURBS from January 2004. The funding cost of this arrangement in 2004 was £49,000 (2003: £120,000).

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

- **Share Options**. The Group believes there is benefit to be gained from aligning executive directors' interests (and other employee interests) with those of shareholders by means of share options. The award of options is wholly at the discretion of the Remuneration Committee.

Performance Graph

The following graph illustrates the Company's total shareholder return performance since 31 August 1999 relative to the FTSE All-share Index. The Company considers that the FTSE All-share index to be the most appropriate comparator group as it is a broad equity index and reflects the Company's broad range of activities.



Carr's Milling Industries

FTSE All-Share Price Index

Source: Datastream

Directors' Remuneration Report
continued

Non-Executive Remuneration
The remuneration of the non-executive directors is agreed by the Group Board taking into account a number of factors pertinent to their position and role as non-executive directors.

Information subject to audit

Directors' Remuneration

	Fees & Basic Salary £'000	Bonus £'000	Benefits £'000	Year to August 2004 £'000	Year to August 2003 £'000	2004 Pension Contributions £'000	2003 Pension Contributions £'000
Executive directors							
C N C Holmes	151	59	1	211	202	118	178
R C Wood	127	50	1	178	169	44	34
Non-executive directors							
D A Newton	33	—	—	33	30	—	—
A R Heygate	17	—	—	17	15	—	—
	328	109	2	439	416	162	212

Share options granted to directors
The Company operates an Inland Revenue approved and an unapproved share option scheme to reward employees' performance and to incentivise at senior levels. Exercise is subject to performance conditions. For all options granted the exercise criterion has been that earnings per share should achieve growth which exceeds the percentage growth in the Retail Price Index by 2% or more. The rules of the schemes conform to institutional investor guidelines.

The performance criterion, which applies to the executive directors to whom options have been granted under the Schemes, was chosen as it requires significant improvement in financial performance. No options have been granted at a discount to the market price at the date of their grant.

Options to acquire shares in the Company, granted to directors under the Scheme but not exercised, as at 28 August 2004 are:

	At 30 August 2003	Granted during year	Lapsed during year	Exercised during year	At 28 August 2004	Exercise price	Market price on date exercised	Date of Grant	Earliest date from which exercisable	Expiry date
C N C Holmes	19,690	—	—	—	19,690	212.0p	—	25 Nov 1994	Nov 1997	Nov 2004
	40,000	—	—	—	40,000	161.0p	—	1 May 2002	May 2005	April 2009
	18,500	—	—	—	18,500	161.0p	—	1 May 2002	May 2005	April 2009
	78,190	—	—	—	78,190					
R C Wood	19,690	—	—	—	19,690	212.0p	—	25 Nov 1994	Nov 1997	Nov 2004
	50,000	—	—	—	50,000	161.0p	—	1 May 2002	May 2005	April 2009
	18,500	—	—	—	18,500	161.0p	—	1 May 2002	May 2005	April 2009
	88,190	—	—	—	88,190					

The middle market closing price of the shares at 28 August 2004 was 332.5p (30 August 2003: 312.5p) and the range throughout the year was 295p to 342.5p.

On behalf of the Board

David Newton

D A Newton
Chairman of the Remuneration Committee
8 November 2004

Consolidated Profit and Loss Account

for the year ended 28 August 2004

Notes		2004 £'000	2003 £'000
2	**Turnover**	**155,749**	148,688
3	Cost of sales	**(132,464)**	(125,639)
3	**Gross profit**	**23,285**	23,049
3	**Net operating expenses**	**(18,249)**	(19,038)
3,4	**Group operating profit**	**5,036**	4,011
	Share of operating profit in associate	**739**	718
	Total operating profit	**5,775**	4,729
7	Interest receivable	**116**	162
8	Interest payable	**(764)**	(825)
2	**Profit on ordinary activities before taxation**	**5,127**	4,066
9	Taxation	**(1,633)**	(1,277)
	Profit on ordinary activities after taxation	**3,494**	2,789
	Minority interests - equity	**(275)**	(329)
	Profit for the financial year	**3,219**	2,460
10	Dividends	**(1,090)**	(930)
23,24	**Retained profit for the financial year**	**2,129**	1,530
	Earnings per ordinary share		
11	Basic	**39.9p**	30.5p
11	Diluted	**39.8p**	30.5p
11	Adjusted	**39.9p**	34.7p

All of the above are derived from continuing operations.

Statement of Group Total Recognised Gains and Losses

for the year ended 28 August 2004

Notes		2004 £'000	2003 £'000
	Profit for the financial year	**3,219**	2,460
24	Currency translation differences on foreign currency net investments	**(330)**	(16)
	Total recognised gains and losses relating to the year	**2,889**	2,444

Note of Group Historical Cost Profits and Losses

for the year ended 28 August 2004

	2004 £'000	2003 £'000
Reported profit on ordinary activities before taxation	**5,127**	4,066
Realisation of property revaluation gains of previous years	**31**	187
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	**48**	34
Historical cost profit on ordinary activities before taxation	**5,206**	4,287
Historical cost profit for the year retained after taxation, minority interests and dividends	**2,208**	1,751

Consolidated Balance Sheet

at 28 August 2004

Notes		2004 £'000	2004 £'000	2003 £'000	2003 £'000
	Fixed assets				
12	Intangible assets		**184**		63
13	Tangible assets		**20,474**		19,723
	Investments				
14	Share of net assets in associate	**1,992**		1,461	
14	Loan to associate	**1,225**		1,225	
14	Other investments	**253**		153	
			3,470		2,839
			24,128		22,625
	Current assets				
15	Stocks	**10,387**		9,123	
16	Debtors	**19,943**		18,694	
	Cash at bank and in hand	**1,091**		1,472	
		31,421		29,289	
17	**Creditors**				
	Amounts falling due within one year	**(25,265)**		(22,845)	
	Net current assets		**6,156**		6,444
	Total assets less current liabilities		**30,284**		29,069
18	**Creditors**				
	Amounts falling due after more than one year	**(3,779)**		(4,265)	
20	**Provisions for liabilities and charges**	**(951)**		(1,266)	
21	**Deferred income**	**(244)**		(303)	
			(4,974)		(5,834)
	Net assets		**25,310**		23,235
	Capital and reserves				
22	Called-up share capital		**2,018**		2,018
23	Share premium account		**4,752**		4,752
23	Revaluation reserve		**1,663**		1,742
23	Profit and loss account		**15,605**		13,727
24	**Equity shareholders' funds**		**24,038**		22,239
23	Minority interests - equity		**1,272**		996
			25,310		23,235

Company Balance Sheet

at 28 August 2004

Notes		2004 £'000	2004 £'000	2003 £'000	2003 £'000
	Fixed assets				
14	Investments		**9,042**		8,696
	Current assets				
16	Debtors	**11,780**		9,653	
	Cash at bank	—		1,705	
		11,780		11,358	
17	**Creditors**				
	Amounts falling due within one year	**(4,199)**		(3,274)	
	Net current assets		**7,581**		8,084
	Total assets less current liabilities		**16,623**		16,780
18	**Creditors**				
	Amounts falling due after more than one year	**(1,400)**		(2,000)	
	Net assets		**15,223**		14,780
	Capital and reserves				
22	Called-up share capital		**2,018**		2,018
23	Share premium account		**4,752**		4,752
23	Profit and loss account		**8,453**		8,010
	Equity shareholders' funds		**15,223**		14,780

The financial statements set out on pages 20 to 50 were approved by the Board on 8 November 2004 and signed on its behalf by:

Christopher N C Holmes

Ronald C Wood

Consolidated Cash Flow Statement

for the year ended 28 August 2004

Notes		2004 £'000	2003 £'000
25	**Net cash inflow from operating activities**	**6,256**	5,504
	Returns on investments and servicing of finance		
	Interest received	**120**	153
	Interest paid	**(563)**	(638)
	Interest paid on finance leases	**(88)**	(101)
	Net cash outflow from returns on investments and servicing of finance	**(531)**	(586)
	Taxation paid	**(1,330)**	(1,303)
	Capital expenditure and financial investment		
	Purchase of tangible fixed assets	**(2,997)**	(2,829)
	Purchase of intangible fixed assets	**(160)**	—
	Sale of tangible fixed assets	**295**	679
	Purchase of investments	**(100)**	(2)
	Sale of investment	—	2
	Grants received	—	189
	Net cash outflow from capital expenditure and financial investment	**(2,962)**	(1,961)
	Equity dividends paid	**(969)**	(847)
	Cash inflow before financing	**464**	807
28	**Financing**	**(1,311)**	(1,486)
29	**Decrease in net cash**	**(847)**	(679)

Statement of Accounting Policies

for the year ended 28 August 2004

The financial statements have been prepared in accordance with the Companies Act 1985 and 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 have been 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 preceding year.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the accounts of the 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 value of goods despatched or services rendered to customers, excluding value added tax and inter-group transactions. In respect of long-term contracts turnover is calculated on the basis of the stage of completion and the total sales value of each contract.

Revaluation of properties

Prior to 1999, some freehold and leasehold properties were revalued. On adoption of FRS 15 in 1999, the Group 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.

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 reliable 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.

Investments

Investments are stated at cost less any amounts written off in respect of impairment.

Financial instruments and derivatives

The Group's accounting policy for derivatives is to defer the recognition in the Group profit and loss account of gains and losses on hedges of revenues, operating payments and capital expenditure until such time as the underlying transactions are recognised.

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.

Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax is not provided on timing differences arising from revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Statement of Accounting Policies

for the year ended 28 August 2004 - continued

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 any subsequent disposal.

Other intangible assets

Other intangible assets are capitalised on the balance sheet and amortised over periods not exceeding 20 years in line with the directors' view of their useful economic lives.

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 recorded as deferred income and taken to the profit and loss account in equal annual instalments over the expected useful lives of the assets concerned.

Revenue grants and contributions are credited to the profit and loss account in the year to which they apply.

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.

Notes to the Financial Statements

1 The Company has taken advantage of the exemption, under section 230 of the Companies Act 1985, from presenting its own profit and loss account. The profit after tax for the year dealt with in the accounts of the Company was £1,533,000 (2003: £1,294,000).

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	
	2004 £'000	2003 £'000	**2004 £'000**	2003 £'000	**2004 £'000**	2003 £'000
Business analysis						
Agriculture - Group	**124,443**	120,787	**4,991**	4,310	**5,619**	4,846
- Associate	**—**	—	**739**	718	**1,992**	1,461
	124,443	120,787	**5,730**	5,028	**7,611**	6,307
Food	**21,990**	20,275	**268**	599	**4,879**	4,843
Engineering	**9,316**	7,626	**(14)**	(683)	**4,225**	3,191
Central	**—**	—	**(209)**	(215)	**8,595**	8,894
Net interest payable	**—**	—	**(648)**	(663)	**—**	—
Total	**155,749**	148,688	**5,127**	4,066	**25,310**	23,235
- Group	**155,749**	148,688	**4,461**	3,427	**23,318**	21,774
- Associate	**—**	—	**666**	639	**1,992**	1,461
Geographical analysis						
United Kingdom - Group	**147,369**	137,864	**4,548**	3,114	**11,961**	10,230
- Associate	**—**	—	**739**	718	**1,992**	1,461
	147,369	137,864	**5,287**	3,832	**13,953**	11,691
Continental Europe	**1,228**	1,562	**(46)**	(185)	**(59)**	5
North America	**7,152**	9,262	**743**	1,297	**2,821**	2,645
Central	**—**	—	**(209)**	(215)	**8,595**	8,894
	155,749	148,688	**5,775**	4,729	**25,310**	23,235
Net interest payable	**—**	—	**(648)**	(663)	**—**	—
Total	**155,749**	148,688	**5,127**	4,066	**25,310**	23,235
- Group	**155,749**	148,688	**4,461**	3,427	**23,318**	21,774
- Associate	**—**	—	**666**	639	**1,992**	1,461

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 activities of B&A Travel are not material and are included in the engineering segment.

Notes to the Financial Statements

continued

3 Turnover, cost of sales and other operating income and expenses

	2004 £'000	2004 £'000	2003 £'000	2003 £'000
Turnover		**155,749**		148,688
Cost of sales		**(132,464)**		(125,639)
Gross profit		**23,285**		23,049
Net operating expenses				
Distribution costs	**(9,446)**		(9,520)	
Administrative expenses - normal	**(8,803)**		(9,014)	
- exceptional (see note 5)	—		(504)	
		(18,249)		(19,038)
Operating profit		**5,036**		4,011
Share of profit in associate		**739**		718
Total operating profit: Group and share of associate		**5,775**		4,729

4 Group operating profit

	2004 £'000	2003 £'000
Group operating profit is stated after crediting:		
Amortisation of grants	**59**	65
Profit on disposal of tangible fixed assets	**108**	166
And after charging:		
Depreciation of tangible fixed assets held under finance leases	**491**	495
Depreciation of owned tangible fixed assets	**1,876**	1,776
Hire of plant and equipment	**241**	298
Hire of other assets	**16**	14
Amortisation of intangible fixed assets	**38**	35
Auditors' remuneration for audit (company £10,000; 2003: £10,000)	**110**	94
Auditors' remuneration for other services	**55**	35

5 Exceptional items

	2004 Amount £'000	2004 Tax credit £'000	2003 Amount £'000	2003 Tax credit £'000
Cost of reorganising Engineering Division	—	—	(243)	92
Cost of reorganising Agricultural Division	—	—	(261)	74
Total exceptional operating expenses	—	—	(504)	166

	2004 £'000	2003 £'000
Profit before tax	**5,127**	4,066
Exceptional operating expenses	—	504
Profit before tax and exceptional costs	**5,127**	4,570
Operating profit	**5,775**	4,729
Exceptional operating expenses	—	504
Operating profit before exceptional operating costs	**5,775**	5,233

6 Staff costs

	2004 £'000	2003 £'000
Wages and salaries	**12,025**	12,194
Social security costs	**1,180**	1,145
Other pension costs	**1,897**	1,645
	15,102	14,984

The average monthly number of employees during the year was made up as follows:	2004 Number	2003 Number
Sales, office and management	**331**	338
Manufacture and distribution	**227**	248
	558	586

Details of directors' emoluments are given in the Directors' Remuneration Report.

7 Interest receivable

	2004 £'000	2003 £'000
Bank interest	**105**	118
Other	**11**	44
	116	162

8 Interest payable

	2004 £'000	2003 £'000
On bank overdrafts	**413**	396
On bank loans and other loans	**134**	171
On finance leases and hire purchase contracts	**88**	101
Other	**56**	78
Group interest payable	**691**	746
Share of associate interest payable	**73**	79
Total interest payable	**764**	825

9 Taxation

	2004 £'000	2003 £'000
(a) Analysis of charge in the year		
Current tax:		
UK corporation tax		
current year	**1,428**	785
prior year	**(47)**	109
Foreign tax		
current year	**287**	609
prior year	**(2)**	(19)
Group current tax	**1,666**	1,484
Associate		
current year	**143**	50
prior year	**—**	(82)
Total current tax	**1,809**	1,452
Deferred tax:		
Origination and reversal of timing differences		
Group	**(168)**	(153)
Associate	**(8)**	(22)
Total deferred tax	**(176)**	(175)
Tax on profit on ordinary activities	**1,633**	1,277

Notes to the Financial Statements

continued

9 Taxation (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year is higher (2003: higher) than the rate of corporation tax in the UK (30%). The differences are explained below:

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	**5,127**	4,066
Profit on ordinary activities before tax @ 30%	**1,538**	1,220
Effects of		
Expenses not deductible for tax purposes	**76**	59
Depreciation in excess of capital allowances	**(1)**	20
Movements on short-term timing differences	**118**	—
Overseas profits taxed at higher rates	**12**	89
Tax at marginal rates	**(1)**	(1)
Tax losses not group relieved	**116**	57
Adjustments relating to prior years' tax charge	**(49)**	8
Current year corporation tax charge	**1,809**	1,452

(c) Factors that may affect future tax charges

There are no factors that are expected to significantly affect the taxation charge in future years.

10 Dividends

Equity	2004 £'000	2003 £'000
Ordinary – Interim paid of 4.5p per 25.0p share (2003: 4.0p)	**363**	324
– Final proposed of 9.0p per 25.0p share (2003: 7.5p)	**727**	606
	1,090	930

11 Earnings per ordinary share

Earnings per share are calculated by reference to a weighted average of 8,073,599 shares (2003: 8,066,072) 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 adjusted earnings per share is presented as follows:

	2004		2003	
	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
Earnings per share - basic	**3,219**	**39.9**	2,460	30.5
Exceptional items				
Reorganisation costs in Engineering Division	—	—	243	3.1
Reorganisation costs in Agricultural Division	—	—	261	3.2
Taxation arising on exceptional items	—	—	(166)	(2.1)
Earnings per share - adjusted	**3,219**	**39.9**	2,798	34.7

11 Earnings per ordinary share (continued)

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.

	2004 Earnings £'000	**2004 Weighted average number of shares**	**2004 Earnings per share pence**	2003 Earnings £'000	2003 Weighted average number of shares	2003 Earnings per share pence
Earnings per share	**3,219**	**8,073,599**	**39.9**	2,460	8,066,072	30.5
Effective of dilutive securities:						
Options	**—**	**12,551**	**—**	—	13,107	—
Diluted earnings per share	**3,219**	**8,086,150**	**39.8**	2,460	8,079,179	30.5

12 Intangible fixed assets

Group	Goodwill £'000	Others £'000	Total £'000
Cost			
At 31/08/03	176	—	176
Exchange differences	(3)	—	(3)
Additions	—	160	160
At 28/08/04	**173**	**160**	**333**
Amortisation			
At 31/08/03	113	—	113
Exchange differences	(2)	—	(2)
Charge for year	22	16	38
At 28/08/04	**133**	**16**	**149**
Net book value			
At 28/08/04	**40**	**144**	**184**
At 30/08/03	63	—	63

Goodwill of £73,000 arose on the acquisition of the trade and certain assets of George Shackleton & Sons Limited and is being amortised on a straight line basis over five years. The goodwill is fully amortised at 28 August 2004.

Goodwill of £100,000 arose on the acquisition of the trade and certain assets of Angus Fertilizers Limited and is being amortised on a straight line basis over five years. This is the period over which the directors estimate that the value of the underlying business acquired is expected to exceed the value of these underlying assets.

Other intangible assets represent know-how purchased in the year and is being amortised on a straight line basis over five years, being the directors' estimate of the useful economic life.

Notes to the Financial Statements
continued

13 Tangible fixed assets

Group	Land and buildings £'000	Plant and equipment £'000	Assets in course of construction £'000	Total £'000
Cost or valuation				
At 31/08/03	11,090	23,361	1,397	35,848
Exchange differences	(90)	(321)	(82)	(493)
Additions	1,038	2,080	503	3,621
Disposals	(108)	(683)	—	(791)
Reclassifications	715	536	(1,251)	—
At 28/08/04	**12,645**	**24,973**	**567**	**38,185**
Depreciation				
At 31/08/03	1,856	14,269	—	16,125
Exchange differences	(24)	(167)	—	(191)
Charge for the year	378	1,989	—	2,367
Disposals	(10)	(580)	—	(590)
Reclassifications	(1)	1	—	—
At 28/08/04	**2,199**	**15,512**	**—**	**17,711**
Net book value				
At 28/08/04	**10,446**	**9,461**	**567**	**20,474**
At 30/08/03	9,234	9,092	1,397	19,723
Cost or valuation at 28/08/04 is represented by				
Valuation in 1995	3,060	—	—	3,060
Valuation in 1998	498	—	—	498
Cost	9,087	24,973	567	34,627
	12,645	24,973	567	38,185

The flour mill at Silloth-on-Solway was revalued on the basis of depreciated replacement cost at 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:

	2004 £'000	2003 £'000
Cost	**11,567**	10,012
Aggregate depreciation based on cost	**(2,784)**	(2,520)
Net book amount based on historical cost	**8,783**	7,492
The net book value of land and buildings comprises:		
Freehold	**8,876**	8,173
Long leasehold	**1,570**	1,061
	10,446	9,234

The net book value of plant and equipment includes £1,765,827 (2003: £1,698,786) in respect of assets held under finance leases.
The Company has no tangible fixed assets.

14 Investments

Group	Associate £'000	Loans to associate £'000	Other investments £'000	Other loans £'000	Total £'000
Cost					
At 31/08/03	1,461	1,225	171	27	2,884
Additions	—	—	100	—	100
Disposals	—	—	—	(27)	(27)
Share of retained profit	531	—	—	—	531
At 28/08/04	**1,992**	**1,225**	**271**	**—**	**3,488**
Amounts written off					
At 31/08/03	—	—	18	27	45
Disposals	—	—	—	(27)	(27)
Provision in the year	—	—	—	—	—
At 28/08/04	**—**	**—**	**18**	**—**	**18**
Net book value					
At 28/08/04	**1,992**	**1,225**	**253**	**—**	**3,470**
At 30/08/03	1,461	1,225	153	—	2,839

Company	Associate £'000	Loans to associate £'000	Shares in subsidiaries £'000	Other investments £'000	Total £'000
Cost					
At 31/08/03	245	1,225	12,830	111	14,411
Additions	—	—	—	100	100
Dissolution of dormant companies	—	—	(199)	—	(199)
At 28/08/04	**245**	**1,225**	**12,631**	**211**	**14,312**
Amounts written off					
At 31/08/03	—	—	5,706	9	5,715
Dissolution of dormant companies	—	—	(465)	—	(465)
Provision in the year	—	—	20	—	20
At 28/08/04	**—**	**—**	**5,261**	**9**	**5,270**
Net book value					
At 28/08/04	**245**	**1,225**	**7,370**	**202**	**9,042**
At 30/08/03	245	1,225	7,124	102	8,696

Other investments comprise of shares in several private limited companies.

Notes to the Financial Statements

continued

14 Investments (continued)

Name	Proportion of Shares Held Ordinary %	Preference %	Country of Incorporation	Activity
Subsidiaries:				
Carrs Agriculture Ltd.	100	100	England	Manufacture of animal feed blocks and fertiliser
Carrs Billington Agriculture (Sales) Ltd.	51	—	England	Agricultural retailers
Animal Feed Supplement Inc.	100	—	USA	Manufacture of animal feed blocks
Northern Feeds Solutions Limited	28	—	England	Agricultural retailers
Quinphos (Ireland) Ltd.	51	—	Eire	Retailers of speciality fertilisers
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
Carrs Properties Ltd.	100	—	England	Property holding
Associate:				
Carrs Billington Agriculture (Operations) Ltd.	49	—	England	Manufacture of animal feed

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 and Northern Feeds Solutions Limited which is held by Carrs Billington Agriculture (Sales) Limited.

Quinphos (Ireland) Limited ceased to trade in the period. The directors do not consider this material to classify as discontinued operations.

Dormant subsidiaries are not shown above because disclosure would be excessively lengthy. A full list of subsidiary undertakings will be annexed to the company's next annual return.

15 Stocks

Group	**2004 £'000**	2003 £'000
Raw material and consumables	**4,163**	3,405
Work in progress	**1,013**	846
Finished goods and goods for resale	**5,211**	4,872
	10,387	9,123

The Company has no stocks.

16 Debtors

	Group		Company	
	2004	2003	**2004**	2003
	£'000	£'000	**£'000**	£'000
Amounts receivable within one year:				
Trade debtors	**17,792**	16,872	**—**	—
Amounts recoverable on contracts	**383**	207	**—**	—
Amounts owed by Group undertakings	**—**	—	**8,905**	7,781
Corporation tax recoverable	**82**	274	**391**	199
Group taxation relief	**—**	—	**72**	28
Amounts owed by associate (see note 34)	**104**	57	**—**	—
Other debtors	**1,025**	750	**64**	26
Prepayments and accrued income	**382**	354	**48**	57
Dividends due from Group undertakings	**—**	—	**2,152**	1,439
	19,768	18,514	**11,632**	9,530
Amounts receivable after more than one year:				
Other debtors	**5**	8	**—**	—
Deferred tax asset	**170**	172	**148**	123
	19,943	18,694	**11,780**	9,653

17 Creditors

	Group		Company	
	2004	2003	**2004**	2003
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year:				
Bank loans and overdrafts (see note 19)	**2,969**	2,504	**1,077**	800
Other non-interest bearing loans (see note 19)	**490**	568	**—**	—
Payments on account	**1,003**	852	**—**	—
Trade creditors	**9,369**	9,181	**—**	—
Amounts owed to Group undertakings	**—**	—	**1,436**	1,373
Amounts owed to associate (see note 34)	**5,135**	4,654	**—**	—
Corporation tax	**944**	793	**—**	—
Other taxes and social security payable	**1,297**	937	**79**	85
Other creditors	**766**	385	**—**	1
Finance leases (see note 19)	**554**	555	**—**	—
Accruals	**2,011**	1,810	**880**	409
Dividends payable	**727**	606	**727**	606
	25,265	22,845	**4,199**	3,274

18 Creditors

	Group		Company	
	2004	2003	**2004**	2003
	£'000	£'000	**£'000**	£'000
Amounts falling due after more than one year:				
Bank loans (see note 19)	**1,400**	2,000	**1,400**	2,000
Other non-interest bearing loans (see note 19)	**765**	735	**—**	—
Other creditors (see note 19)	**943**	805	**—**	—
Finance leases (see note 19)	**671**	725	**—**	—
	3,779	4,265	**1,400**	2,000

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

The other non-interest bearing loan has no fixed date for repayment, the bank loans are repayable by installments and the overdraft is repayable on demand.

Notes to the Financial Statements
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19 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 foreign currency contracts and interest rate caps). 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 £1.225 million (2003: £1.280 million) of the Group's borrowings were at a fixed rate of interest.

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

Foreign currency risk
The Group's subsidiary, Animal Feed Supplement Inc., operates in the USA and its revenues and expenses are denominated exclusively in US dollars. The Group's sterling balance sheet is not protected from movements in US dollar/sterling exchange rate. The foreign currency risk in relation to the Group's other overseas subsidiaries, George Shackleton & Sons Limited and Quinphos (Ireland) Limited, which operate in Eire, is insignificant.

19 Derivatives and other financial instruments (continued)

Interest rate risk profile of financial liabilities

The interest rate risk profile of the Group's financial liabilities at 28 August 2004 was:

	2004				2003			
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	**6,689**	**4,209**	**1,225**	**1,255**	7,043	4,460	1,280	1,303
US Dollar	**1,103**	**160**	**—**	**943**	849	44	—	805
	7,792	**4,369**	**1,225**	**2,198**	7,892	4,504	1,280	2,108

All the Group's creditors falling due within one year (other than bank, other borrowings and finance leases) 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.

	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	
Currency	2004	2003	2004	2003	2004	2003
Sterling	**6.0%**	6.0%	**1.51 years**	1.59 years	**2.14 years**	1.99 years

The floating rate financial liability in sterling bears interest at 1% over the Bank of England base rate or 1.25% over LIBOR and in US dollar bears interest at 1% over the US prime rate.

Interest rate risk profile of financial assets

Currency	2004 Cash at bank and in hand £'000	2003 Cash at bank and in hand £'000
Sterling	**910**	1,354
Euro	**25**	70
US Dollar	**156**	48
	1,091	1,472
Floating rate	**1,066**	1,402
Non-interest bearing	**25**	70
	1,091	1,472

Other investments of £253,000 (2003: £153,000) and other debtors of £5,000 (2003: £8,000) are all non-interest bearing and denominated in sterling. They have no period to maturity.

The above analysis excludes deferred taxation recoverable after more than one year as required by FRS 13.

Notes to the Financial Statements
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19 Derivatives and other financial instruments (continued)

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 relevant group company.

	Net foreign currency monetary assets/(liabilities)							
	2004				2003			
Functional currency of Group operations:	**Sterling £'000**	**US Dollar £'000**	**Euro £'000**	**Total £'000**	Sterling £'000	US Dollar £'000	Euro £'000	Total £'000
Sterling	**—**	**(1,409)**	**330**	**(1,079)**	—	(444)	366	(78)
Euro	**(36)**	**—**	**—**	**(36)**	(201)	—	—	(201)
	(36)	**(1,409)**	**330**	**(1,115)**	(201)	(444)	366	(279)

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 28 August 2004 was as follows:

	Debt £'000	**Finance leases £'000**	**Other financial liabilities £'000**	**2004 Total £'000**	Debt £'000	Finance leases £'000	Other financial liabilities £'000	2003 Total £'000
Within one year or on demand	**3,459**	**554**	**—**	**4,013**	3,072	555	—	3,627
Between one and two years	**1,565**	**388**	**—**	**1,953**	1,535	389	—	1,924
Between two and five years	**600**	**283**	**943**	**1,826**	1,200	336	805	2,341
	5,624	**1,225**	**943**	**7,792**	5,807	1,280	805	7,892

Borrowing facilities

The Group had various undrawn committed facilities. The facilities available at 28 August 2004, in respect of which all conditions precedent had been met were as follows:

	2004 Floating rate £'000	2003 Floating rate £'000
Expiring in one year or less	**8,888**	9,730

The undrawn facilities expiring within one year are annual facilities subject to review at various dates during December 2004/January 2005.

19 Derivatives and other financial instruments (continued)

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 28 August 2004. 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.

	2004		2003	
	Book value £'000	**Fair value £'000**	Book value £'000	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	**(4,013)**	**(4,013)**	(3,627)	(3,627)
Long-term borrowings excluding current portion	**(2,836)**	**(2,688)**	(3,460)	(3,419)
Cash at bank and in hand	**1,091**	**1,091**	1,472	1,472
Other investments	**253**	**253**	153	153
Other debtors due after more than one year	**5**	**5**	8	8
Derivative financial instruments held to manage the interest rate and currency profile:				
Forward foreign currency contracts	**—**	**5**	—	—

The fair value of the 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.

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. 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 30 August 2003.

20 Provisions for liabilities and charges

Group	Closure costs £'000	Deferred tax £'000	**Total £'000**
At 31/08/03	167	1,099	**1,266**
Exchange adjustments	—	22	**22**
Utilised in the year	(199)	—	**(199)**
Movement in deferred tax asset shown in debtors (see note 16)	—	(2)	**(2)**
Charge/(credit) to the profit and loss account	32	(168)	**(136)**
At 28/08/04	**—**	**951**	**951**

The closure costs related to breaking operating leases, redundancy and other related costs on the closure of the fertiliser plants at Runcorn and Methil.

Notes to the Financial Statements

continued

20 Provisions for liabilities and charges (continued)

Deferred taxation

Deferred taxation provided in the accounts is as follows:

	Amount provided		Amount unprovided	
	2004	2003	**2004**	2003
	£'000	£'000	**£'000**	£'000
Tax effect of timing differences	**(396)**	(385)	—	—
Excess of tax allowances over depreciation	**1,177**	1,368	—	—
Losses	—	(56)	**(485)**	(293)
Deferred tax at 28/08/04	**781**	927	**(485)**	(293)
Deferred tax asset shown in debtors (see note 16)	**170**	172	—	—
Deferred tax liability at 28/08/04	**951**	1,099	**(485)**	(293)

The potential deferred tax asset has not been provided as there is insufficient evidence that it will be recoverable in the foreseeable future.

21 Deferred income

	Grants
	2004
Group	**£'000**
At 31/08/03	**303**
Amortisation in the year	**(59)**
At 28/08/04	**244**

22 Called-up share capital

	Group and Company	
	2004	2003
	£'000	£'000
Authorised: 10,500,000 ordinary shares of 25p each (2003: 10,500,000)	**2,625**	2,625
Allotted and fully paid: 8,073,599 ordinary shares of 25p each (2003: 8,073,599)	**2,018**	2,018

Option schemes
Outstanding share options

	2004	2003	Price Range	Dates of Grant
Executive scheme	39,380	39,380	81.5p - 212p	1992 - 1994
Executive scheme 1996	90,000	90,000	161p	2002
Company plan 1996	9,600	9,600	310.5p	1996 - 1997
Company plan 1996	148,000	148,000	161p	2002

During the year nil (2003: 20,000) shares were issued under share option schemes.

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

23 Reserves

Group	Share Premium Account £'000	Revaluation Reserve £'000	Profit and loss account £'000	Minority interests £'000
At 31/08/03	4,752	1,742	13,727	996
Exchange adjustments	—	—	(330)	—
Issue of minority interest share capital in subsidiary	—	—	—	1
Transfer from revaluation reserve to profit and loss account	—	(79)	79	—
Retained profit for the year	—	—	2,129	—
Minority share of profit	—	—	—	275
At 28/08/04	**4,752**	**1,663**	**15,605**	**1,272**
Company				
At 31/08/03	4,752	—	8,010	—
Retained profit for the year	—	—	443	—
At 28/08/04	**4,752**	**—**	**8,453**	**—**

Cumulative goodwill relating to acquisitions made prior to 30 August 1998, which has been eliminated against group reserves, amounts to £5,042,000 (2003: £5,042,000).

24 Reconciliation of movements in equity shareholders' funds

	Group		Company	
	2004 £'000	2003 £'000	**2004 £'000**	2003 £'000
Profit for the financial year	**3,219**	2,460	**1,533**	1,294
Dividends	**(1,090)**	(930)	**(1,090)**	(930)
	2,129	1,530	**443**	364
Exchange differences	**(330)**	(16)	**—**	—
New shares issued	**—**	16	**—**	16
Net increase in equity shareholders' funds	**1,799**	1,530	**443**	380
Opening equity shareholders' funds	**22,239**	20,709	**14,780**	14,400
Closing equity shareholders' funds	**24,038**	22,239	**15,223**	14,780

25 Cash flow from operating activities

Continuing operations	**2004 £'000**	2003 £'000
Group operating profit	**5,036**	4,011
Depreciation charge	**2,367**	2,271
Profit on disposal of fixed assets	**(108)**	(166)
Amortisation of intangible assets	**38**	35
Grants amortisation	**(59)**	(65)
Increase in stocks	**(1,264)**	(66)
(Increase)/decrease in debtors	**(1,447)**	119
Increase/(decrease) in creditors	**1,860**	(802)
(Decrease)/increase in provisions	**(167)**	167
Net cash inflow from continuing operating activities	**6,256**	5,504

Notes to the Financial Statements

continued

26 Analysis of net debt

	At 31 August 2003 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	**At 28 August 2004 £'000**
Cash at bank and in hand	1,472	(381)	—	—	**1,091**
Bank overdrafts	(1,704)	(466)	—	1	**(2,169)**
	(232)	(847)	—	1	**(1,078)**
Loans: amounts falling due within one year	(1,368)	648	(570)	—	**(1,290)**
Loans: amounts falling due after more than one year	(2,735)	—	570	—	**(2,165)**
Finance leases: amounts falling due within one year	(555)	664	(663)	—	**(554)**
Finance leases: amounts falling due after more than one year	(725)	—	54	—	**(671)**
	(5,615)	465	(609)	1	**(5,758)**

Other non-cash changes relate to the inception of new finance leases and transfers between categories of borrowings.

27 Cash outflow relating to exceptional items

In 2004 operating cash flow includes under continuing operations an outflow of £nil (2003: £243,000) which relates to exceptional cost of reorganising the Engineering Division and, £199,000 (2003: £26,000) which relates to exceptional cost of reorganising the Agricultural Division.

28 Net cash outflow from financing

	2004 £'000	2003 £'000
Issue of ordinary share capital	**—**	16
Issue of minority interest share capital in subsidiary	**1**	—
Repayment of loans	**(648)**	(800)
Capital element of finance lease payments	**(664)**	(702)
	(1,311)	(1,486)

29 Reconciliation of net cash flow to movement in net debt

	2004 £'000	2003 £'000
Decrease in cash in the year	**(847)**	(679)
Cash outflow from decrease in debt and lease financing	**1,312**	1,502
	465	823
New finance leases	**(609)**	(478)
Exchange adjustments	**1**	27
	(143)	372
Net debt at 31 August 2003	**(5,615)**	(5,987)
Net debt at 28 August 2004	**(5,758)**	(5,615)

30 Capital commitments

	2004 £'000	2003 £'000
Capital expenditure that has been contracted for but has not been provided for in the accounts	**81**	7

31 Other financial commitments

At 28 August 2004 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Expiring within one year	**—**	—	**9**	5
Expiring between two and five years inclusive	**—**	21	**84**	201
Expiring after five years	**9**	9	**—**	—
	9	30	**93**	206

32 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 28 August 2004 amounted to £nil (2003: £1,019,000).

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 28 August 2004 amounted to £2,008,000 (2003: £1,660,000).

The Company, together with its associate undertaking, has entered into a guarantee with Royal Bank of Scotland plc in respect of its share of the overdraft with that bank, which at 28 August 2004 amounted to £582,000 (2003: £1,159,000).

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 28 August 2004 was £204,000 (2003: £254,000).

Notes to the Financial Statements

continued

33 Pension commitments

The Group participates in two defined benefit pension schemes, Carr's Milling Industries Pension Scheme 1993 and Carrs Billington Agriculture Pension Scheme. The company has accounted for the schemes under SSAP 24 and adopted the transitional rules of FRS 17.

Carr's Milling Industries

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

The pension expense for the defined contribution section of the scheme for the period was £143,000 (2003: £84,000). Contributions totalling £nil (2003: £1,000) were payable to the fund at the year end and are included in creditors.

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. 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 2003 and adopted the Projected Unit Method. It was assumed that the investment returns would be 7% per annum and that the salary increases would average 3.25% 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 2003 shows that the market value of assets relating to the defined benefit section of the scheme was £18,997,000 and the actuarial value of those assets represented 66% of the actuarial value of benefits that had accrued to members, after allowing for expected future increases in earnings. At 1 January 2003, the scheme showed a deficit of £9,577,000.

A net accrual of £488,000 (2003: £219,000) is included in the Group net assets representing the deficit of the amount funded over the accumulated pension expense.

The pension contribution made by the Group over the period to the defined benefit section was £1,303,000 (2003: £1,167,000) allowing for the amortisation of the deficit over 12 years being the average remaining service lives of the employees. The contribution rates payable by employer and employee were increased in 2003 following the triennial valuation of the scheme and will continue until reviewed at the next valuation due as at 1 January 2006.

The following disclosures relate to the defined benefit section and exclude insured pension arrangements. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 1 January 2003 and updated on an approximate basis to 28 August 2004.

33 Pension commitments (continued)

Assumptions

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	Carr's Milling Industries Pension Scheme 1993		
	2004	2003	2002
Inflation	**3.0%**	2.5%	2.5%
Salary increases	**4.0%**	3.5%	3.5%
Rate of discount	**6.0%**	5.75%	5.75%
Pension in payment increases:			
Pre 1 September 2001	**3.0%**	3.0%	3.0%
Post 1 September 2001	**3.0%**	2.5%	2.5%
Revaluation rate for deferred pensioners for pensions revaluing at 5.0% per annum or RPI if less	**3.0%**	2.5%	2.5%

Assets and liabilities of the scheme:

	2004 £'000	2003 £'000	2002 £'000
Assets	**23,051**	21,315	19,802
Liabilities	**(33,991)**	(32,068)	(27,396)
Deficit in the scheme	**(10,940)**	(10,753)	(7,594)
Related deferred tax asset	**3,282**	3,226	2,278
Net pension liability	**(7,658)**	(7,527)	(5,316)

The split of assets is as follows:

	2004	2003	2002
Equities	**53%**	55%	54%
Bonds	**40%**	38%	40%
Other	**7%**	7%	6%

Expected long-term rate of return

	2004 £'000	2003 £'000	2002 £'000
Equities	**7.75%**	7.5%	7.5%
Bonds	**6.0%**	5.75%	5.75%
Other	**6.0%**	5.75%	5.75%

Analysis of charge that would be made to the profit and loss account over the financial year

	2004 £'000	2003 £'000
Current service cost	**476**	514
Interest on pension scheme liabilities	**1,841**	1,575
Expected return on pension scheme assets	**(1,451)**	(1,346)
Total	**866**	743

Notes to the Financial Statements

continued

33 Pension commitments (continued)

Analysis of amounts which would be included within the statement of total recognised gains and losses

	Carr's Milling Industries Pension Scheme 1993	
	Amount 2004 £'000	Amount 2003 £'000
Difference between expected and actual return on assets	**397**	(280)
Experience gains and losses arising on the scheme liabilities	**308**	(306)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities	**(81)**	(2,997)
Total	**624**	(3,583)

Movement of balance sheet deficit figures during the year

	2004 £'000	2003 £'000
Deficit in scheme at beginning of year	**(10,753)**	(7,594)
Movement in year:		
Current service cost	**(476)**	(514)
Contributions	**1,303**	1,167
Net interest/return on assets	**(390)**	(229)
Actuarial loss	**(624)**	(3,583)
Deficit in scheme at end of year	**(10,940)**	(10,753)

	2004 £'000	2003 £'000	2002 £'000
History of experience gains and losses			
Difference between expected and actual returns of scheme assets:			
Amount £'000	**(397)**	(280)	(3,784)
Percentage of scheme assets	**1.7%**	1.3%	19.1%
Experience gains and losses on scheme liabilities:			
Amount £'000	**(308)**	(306)	(377)
Percentage of scheme liabilities	**0.9%**	1.0%	1.4%
Total amount recognised in statement of total recognised gains and losses:			
Amount £'000	**(624)**	(3,583)	(5,016)
Percentage of scheme liabilities	**1.8%**	11.2%	18.3%

33 Pension commitments (continued)

Carrs Billington Agriculture

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

The pension contribution made by Carrs Billington Agriculture (Sales) Limited over the period to the Carrs Billington Agriculture Pension Scheme was £169,000 (2003: £96,000). This corresponds to a rate of employer contribution of 17.3% or 12% up to 31 December 2003 and 35% or 30% from 1 January 2004. The rate of employer contribution increased to 50% or 46% from 1 September 2004 following the triennial valuation of the scheme as at 31 December 2003.

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

Carrs Billington Agriculture (Sales) Limited also offer a Group Personal Pension Plan to its employees and the pension expense for this plan in the period was £36,000 (2003: £18,000).

The following disclosures relate to the defined benefit section and exclude insured pension arrangements. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 31 December 2003 and updated on an approximate basis to 28 August 2004.

It is not possible to identify the underlying share of the pension scheme assets and liabilities that relate to Carr's Milling Industries PLC. Approximately 50% of the assets and liabilities of the pension scheme relate to Carr's Milling Industries PLC and on adoption of FRS 17, approximately 50% of the assets and liabilities will be included in the Group's financial statements.

Notes to the Financial Statements

continued

33 Pension commitments (continued)

Assumptions

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	Carrs Billington Agriculture Pension Scheme		
	2004	2003	2002
Inflation	**2.84%**	2.5%	2.36%
Salary increases	**3.84%**	3.5%	4.36%
Rate of discount	**5.58%**	5.42%	5.55%
Pension in payment increases	**2.84%**	2.5%	2.36%
Revaluation rate for deferred pensioners for pensions revaluing at 5.0% per annum or RPI if less	**2.84%**	2.5%	2.36%

Assets and liabilities of the scheme:

	2004 £'000	2003 £'000	2002 £'000
Assets	**14,820**	14,116	13,582
Liabilities	**(19,677)**	(17,576)	(15,853)
Deficit in the scheme	**(4,857)**	(3,460)	(2,271)
Related deferred tax asset	**1,457**	1,038	681
Net pension liability	**(3,400)**	(2,422)	(1,590)

The split of assets is as follows:

	2004	2003	2002
Equities	**73%**	74%	69%
Bonds	**26%**	25%	29%
Cash	**1%**	1%	2%

Expected long-term rate of return

	2004 £'000	2003 £'000	2002 £'000
Equities	**7.2%**	7.1%	7.0%
Bonds	**4.7%**	4.4%	4.6%
Cash	**4.7%**	4.4%	4.6%

Analysis of charge that would be made to the profit and loss account over the financial year

	2004 £'000	2003 £'000
Current service cost	**125**	141
Interest on pension scheme liabilities	**940**	867
Expected return on pension scheme assets	**(893)**	(836)
Total	**172**	172

33 Pension commitments (continued)

Analysis of amounts which would be included within the statement of total recognised gains and losses

	Carrs Billington Agriculture Pension Scheme Amount 2004 £'000	Amount 2003 £'000
Difference between expected and actual return on assets	**100**	136
Experience gains and losses arising on the scheme liabilities	**(814)**	—
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities	**(814)**	(1,326)
Total	**(1,528)**	(1,190)

Movement of balance sheet deficit figures during the year

	2004 £'000	2003 £'000
Deficit in scheme at beginning of year	**(3,460)**	(2,271)
Movement in year:		
Current service cost	**(125)**	(141)
Contributions	**303**	173
Net interest/return on assets	**(47)**	(31)
Actuarial loss	**(1,528)**	(1,190)
Deficit in scheme at end of year	**(4,857)**	(3,460)

	2004 £'000	2003 £'000	2002 £'000
History of experience gains and losses			
Difference between expected and actual returns of scheme assets:			
Amount £'000	**100**	136	(2,866)
Percentage of scheme assets	**0.7%**	1.0%	21.0%
Experience gains and losses on scheme liabilities:			
Amount £'000	**(814)**	—	—
Percentage of scheme liabilities	**4.1%**	—	—
Total amount recognised in statement of total recognised gains and losses:			
Amount £'000	**(1,528)**	(1,190)	(3,497)
Percentage of scheme liabilities	**7.8%**	6.8%	22.1%

Notes to the Financial Statements

continued

33 Pension commitments (continued)

	2004 £'000	2003 £'000
Group net assets		
Net assets excluding net pension liability	**25,310**	23,235
SSAP 24 adjustment	**488**	219
Net pension liability - Carr's Milling Industries Pension Scheme	**(7,658)**	(7,527)
Net pension liability - 50% Carrs Billington Agriculture Pension Scheme	**(1,700)**	(1,211)
Net assets including net pension liability	**16,440**	14,716

	2004 £'000	2003 £'000
Group profit and loss reserve		
Net profit and loss reserve excluding net pension liability	**15,605**	13,727
SSAP 24 adjustment	**488**	219
Net pension liability - Carr's Milling Industries Pension Scheme	**(7,658)**	(7,527)
Net pension liability - 50% Carrs Billington Agriculture Pension Scheme	**(1,700)**	(1,211)
Net profit and loss reserve including net pension liability	**6,735**	5,208

34 Related party transactions

The Company has an associate undertaking, Carrs Billington Agriculture (Operations) Limited. The principal activity of Carrs Billington Agriculture (Operations) Limited is the manufacture of animal feed.

The Group made sales to Carrs Billington Agriculture (Operations) Limited of £292,000 (2003: £424,000).

The Group made purchases from Carrs Billington Agriculture (Operations) Limited of £41,777,000 (2003: £36,292,000).

At 28 August 2004, debtors included £104,000 (2003: £57,000) due from Carrs Billington Agriculture (Operations) Limited and creditors included £5,135,000 (2003: £4,654,000) due to Carrs Billington Agriculture (Operations) Limited.

Included in investments at 28 August 2004 is a loan of £1,225,000 (2003: £1,225,000) due from Carrs Billington Agriculture (Operations) Limited.

35 Post balance sheet events

Carrs Engineering Limited (a wholly owned subsidiary of Carr's Milling Industries PLC) entered into a conditional agreement dated 16 July 2004 to sell the property known as the Bendalls site for a cash consideration of £2.6 million. In addition the purchaser is committed to build a new 55,000 sq ft factory which is expected to cost up to £2.7 million. The conditions of the agreement were satisfied on 7 October 2004.

The Company has conditionally agreed to purchase the entire issued share capital of Meneba UK Holdings Limited for a consideration of approximately £4.7 million. In addition, the Company has agreed to procure the repayment of approximately £5.4 million of inter company debt owed by Meneba UK Holdings Limited following completion.

The repayment of the inter company debt and the consideration will be funded from new and existing debt facilities. Clydesdale Bank PLC has agreed to lend up to £8.0 million to the Company in connection with the acquisition.

The acquisition is conditional, inter alia, on the approval of shareholders which is to be sought at the Extraordinary General Meeting to be held on 18 November 2004. A circular to the shareholders was issued on 1 November 2004. If the Resolution is passed at the Extraordinary General Meeting, completion is expected to occur on the same day.

Five Year Statement

Sales and results	2000 £'000	2001 £'000	2002 £'000	2003 £'000	**2004 £'000**
Group Turnover	97,994	113,155	143,378	148,688	**155,749**
Operating profit					
Continuing operations	3,470	2,447	3,755	4,011	**5,036**
Share of profit of associate	—	—	434	718	**739**
Share of (loss)/profit of joint venture	(629)	554	—	—	**—**
Profit on sale of investment	111	—	—	—	**—**
Profit on part disposal of subsidiary undertaking	—	—	307	—	**—**
Other income and expenses	1	—	—	—	**—**
Profit on ordinary activities before interest	2,953	3,001	4,496	4,729	**5,775**
Interest payable and similar charges	(787)	(939)	(902)	(663)	**(648)**
Profit before taxation	2,166	2,062	3,594	4,066	**5,127**
Taxation	(700)	(376)	(397)	(1,277)	**(1,633)**
Profit after taxation	1,466	1,686	3,197	2,789	**3,494**
Minority interest	(68)	(11)	(277)	(329)	**(275)**
Attributable profit	1,398	1,675	2,920	2,460	**3,219**
Dividends	(720)	(640)	(768)	(930)	**(1,090)**
Retained profit	678	1,035	2,152	1,530	**2,129**
Net assets employed					
Fixed assets	19,018	19,076	21,474	22,625	**24,128**
Net current assets	2,863	3,323	5,673	6,444	**6,156**
	21,881	22,399	27,147	29,069	**30,284**
Non-current liabilities	(2,157)	(1,343)	(4,470)	(4,265)	**(3,779)**
Provisions for liabilities and charges including deferred tax and pensions	(1,534)	(1,876)	(1,129)	(1,266)	**(951)**
Deferred income	(290)	(234)	(179)	(303)	**(244)**
	17,900	18,946	21,369	23,235	**25,310**
Ratios					
Operating margin (continuing operations)	3.5%	2.2%	2.6%	2.7%	**3.2%**
Return on assets employed (excluding profit/(loss) on disposal of fixed assets)	11.5%	10.9%	15.3%	18.0%	**21.2%**
Earnings per share – basic	17.5p	20.9p	36.3p	30.5p	**39.9p**
– adjusted	20.2p	23.9p	33.3p	34.7p	**39.9p**
Dividends per ordinary share	9.0p	8.0p	9.5p	11.5p	**13.5p**

Notice of Annual General Meeting

Notice is hereby given that the Ninety Sixth Annual General Meeting of Carr's Milling Industries PLC will be held at the Crown Hotel, Wetheral, Carlisle on Thursday 6 January, 2005 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 28 August 2004.
2. To approve the Remuneration Report.
3. To declare a final dividend of 9.0p per share on the Ordinary Share Capital.
4. To re-elect as a Director Lord Inglewood.
5. To re-elect as a Director R C Wood who retires by rotation.
6. To re-appoint PricewaterhouseCoopers LLP as Auditors and to authorise the Directors to fix their remuneration.

Special Business

7. Disapplication of pre-emption rights

To resolve as a special resolution that the directors of the Company be and are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (as defined in sub-section (2) of section 94 of the Companies Act 1985) pursuant to the authority conferred on them for the purposes of section 80 of the Act by the special resolution of the Company passed on 6 January 2003 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 £100,920, and shall expire at the conclusion of the next Annual General Meeting of the Company or 15 months from the date hereof, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

8. Company's authority to purchase its own shares

To resolve as a special resolution that in accordance with Chapter VII of the Companies Act 1985, the Company be generally and unconditionally authorised to make market purchases (as 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 805,360;

(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 2006, if earlier, on 5 April 2006, but a contract of purchase may be made before such expiry which will or may be executed wholly or partly thereafter and a purchase of shares may be made in pursuance of any such contract.

Stanwix
Carlisle CA3 9BA
8 November 2004

By order of the Board
Ronald C. Wood
Secretary

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

(a) register of directors' interests

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

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

Directory of Operations

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