CARR'S MILLING INDUSTRIES LIMITED

REPORT AND ACCOUNTS
2nd September 1978

Carr's Milling Industries Limited

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Carr's Milling Industries Limited

BOARD OF DIRECTORS

Ian C. Carr, Chairman
Alexander Matthew, D.L.
John S. Robertson, J.P.
Sydney P. Smith, F.C.C.A.
J. R. Crawford, M.A.
R. Young

SECRETARY AND REGISTERED OFFICE

Sydney P. Smith, F.C.C.A.
Old Croft, Stanwix, Carlisle, CA3 9BA

REGISTRAR AND TRANSFER OFFICE

G. V. Bennett, A.S.C.A.
Old Croft, Stanwix, Carlisle, CA3 9BA

AUDITORS

Deloitte, Haskins & Sells
Chartered Accountants,
Park House, 57/59 Well Street,
Bradford, BD1 5NQ

SOLICITORS

Atkinson & North
15 Fisher Street, Carlisle, CA3 8RW

BANKERS

Clydesdale Bank Ltd.
12 Bank Street, Carlisle, CA3 8HD

Lloyds Bank Ltd.
21 Lowther Street, Carlisle, CA3 8ET

Midland Bank Ltd.
Haltwhistle, Northumberland, NE49 9AA

BROKERS

J. & A. Scrimgeour Ltd.
The Stock Exchange, London, EC2N 1HD

MERCHANT BANKERS

Kleinwort Benson Ltd.
20 Fenchurch Street, London, EC3P 3DB

Carr's Milling Industries Limited

Notice of Meeting

NOTICE is hereby given that the Seventieth Annual General Meeting of this Company will be held at the CREST MOTEL, KINGSTOWN, CARLISLE (at Exit 44, M6 Motorway) on Friday, the Twelfth day of January, 1979 at 11-30 a.m. for the following purposes:—

1. To receive and consider the Report of the Directors and Statement of Accounts for the year ended 2nd September, 1978 (Resolution 1).

2. To declare a Dividend of 1.96p per share on the Ordinary Share Capital (Resolution 2).

3. To re-elect the following Directors who retire in accordance with the Company's Articles of Association:—
   A. Matthew (Resolution 3).
   J. S. Robertson (Resolution 4).

4. To re-appoint Deloitte, Haskins & Sells as Auditors and to authorise the Directors to fix their remuneration (Resolution 5).

By Order of the Board,
SYDNEY P. SMITH,
Secretary.

Stanwix,
Carlisle, CA3 9BA.
20th December, 1978.

NOTES:

1. This Notice is sent to Loan Stock Holders for information only. They are not entitled to attend the Meeting.

2. A Member entitled to attend and vote is entitled to appoint a proxy to attend and, on a poll, to vote instead of him, but a proxy for a Corporation may also vote on a show of hands. A proxy need not also be a Member of the Company.

3. Subject to approval of Resolution 2 the Dividend will be paid on the 17th January, 1979 to those registered as Shareholders on the 15th January, 1979.

4. The following documents are available for inspection at the Registered Office during business hours until the date of the Annual General Meeting:—
   (a) A statement of the transactions of Directors (and their family interests) in the Ordinary Shares of the Company and its Subsidiaries.
   (b) Copies of Directors' Contracts of Service.

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

Carr's Milling Industries Limited

Chairman's Review

of the Year to 2nd September, 1978

THE GROUP RESULT

The Group profit before taxation of £932,000 is a record. This represents an increase of approximately 30% achieved on sales to external customers up from £22 million in 1977 to £26 million in the year under review. This result is considered to be very satisfactory bearing in mind the difficult trading year and the fact that considerable revenue expenditure incurred in expanding the activities of several subsidiaries has not yet been reflected by increased profits.

The Group is continuing to trade profitably and my colleagues and I will recommend to the members at the Annual General Meeting that a final dividend of 1.96p per share should be paid for the financial year ended 2nd September 1978. This will make a total for the year of 2.92p per share, the maximum permitted by current Government legislation.

THE FLOUR MILL

The emphasis that we place upon quality over the whole range of our flours coupled with the high standard of service that we endeavour to provide to all our customers has led to an increasing demand over the last few years. So much so, that in spite of running our mill for as long as practicable each week we have been unable to take advantage of many profitable opportunities to increase still further our flour sales over the past year. Action has been taken to rectify this unsatisfactory situation and reference is made to this under "Current Trading".

ANIMAL FEEDINGSTUFFS

In the year under review sales volume increased substantially over that achieved in the previous year with cattle food up 14½% due, in part, to the remarkable continued success of Royal Dairy Nuts. This product, re-launched only three years ago, has outsold even our own expectations and demonstrates clearly that farmers are interested in buying products of the very highest nutritional quality.

Our new bulk dairy food mill has performed extremely well during the year. We have now allied a fat enrobing process to the new mill and this has resulted in a great improvement in the physical quality of our dairy foods.

Margins were lower than expected during the protracted Price Commission enquiry into the feedingstuffs industry. The Price Commission report, when published, produced some minor criticism of the industry and confirmed that the general profit level is modest.

During the year a disagreement with our then largest distributor meant that we had the major task of persuading farmer customers to buy Carrs feedingstuffs through our own merchant Oliver and Snowdon or through one of our other loyal merchants. In the event we retained the trade of almost all our farmer customers and gained many new customers. We now find ourselves in a much stronger and more independent position in the market place.

AGRICULTURAL ENTERPRISES

The year has seen a rapid expansion in the range of products and services that we have been able to offer to the farmer. Thos. Edmondson Ltd., based at Penrith, specialising in providing animal health products and chemicals for crop protection together with the necessary back-up advisory service, was acquired in December. The animal feedingstuffs and grain merchanting business of James Reive & Sons Ltd., operating from Moffat in Dumfriesshire became part of the Group in March. The growth of both companies since their acquisition has been most encouraging.

As intimated in my review last year the business of Oliver and Snowdon Ltd. has continued to develop rapidly and additional branches in Penrith, Cockermouth and Castle Douglas were established during the year.

Carr's Milling Industries Limited

Chairman's Review *(continued)*

THE BAKERIES

The Group's bakeries started the year in a much healthier state than has been the case in previous years and it was discouraging that they had to bear a serious, if short-lived, bakers strike before the September was out. The national picture showed that trade moved away from the plant baker and the industry as a whole has never recovered the sales lost at that time. This intensified the long-standing problems caused by over-capacity in the industry and led to increasingly fierce competition in the market place. As indicated in the Interim Statement the withdrawal of Spillers from bread baking and the consequent closure of a number of their bakeries was beneficial to us and enabled our bakery interests to trade profitably in the latter months of the financial year.

STAFF AND EMPLOYEES

A business is only as good as the people that it employs and it is heartening for me to be able to report that we have received a full measure of support from all our people over the past year. This is no accident for the Group attaches great importance to the maintenance of first class labour relations. In a developing business, change is inevitable but prior consultation and involvement of those concerned can go a long way towards achieving this without too much difficulty.

The profit that we have made is a reflection of the hard work put in by all who work for us and they must be encouraged that by their efforts the Company continues to progress and so ensure that their future employment is more firmly based. I thank them all.

ASSOCIATED COMPANIES

Our greatest financial involvement is with Melkinthorpe Egg Producers Ltd. and Solway Eggs Ltd., both being engaged in egg production on a large scale. Although they must be among the most efficient in the industry the low level of producer prices over much of the year under review depressed their results.

Silloth Shipping was set on a profit course for most of the year but following a collapse of coastal shipping freight rates at the end of June finished the year slightly down.

Both Barcombe Farm Eggs Ltd. (egg producers, packers and distributors) and Solway Newlay Ltd. (pullet rearers) made a contribution to Group profits.

Since the end of the year there has been a sharp upturn in coastal shipping rates and an increase in egg prices to the producer. Whilst this is encouraging we can but hope that the trend will be maintained, for both can react violently to changes in the demand and supply position and these cannot be forecast with any confidence.

CURRENT TRADING

The new financial year has started well. There is a strong demand for our products and we are well placed to increase the sales of flour, animal feedingstuffs and all that we supply to the farmer, bakery goods and frozen foods. The capacity of our Flour Mill at Silloth is being increased by about 25% from January 1979. Our animal feedingstuffs business continues to forge ahead, especially dairy foods, sales of which are ahead of last year despite a very mild Autumn. Sales of feedingstuffs by our owned merchant companies are over 100% up on the same period last year.

We are now in a position to offer a comprehensive service to the farmer in Northern England and Southern Scotland covering everything from a John Deere tractor to products for animal health and crop protection. Sales of frozen foods are increasing at a dramatic rate and additional equipment is being installed to cope with this situation and so enable Society Fare Ltd. to make a contribution to Group profits.

The uncertainties inherent in most of the businesses that we run make it inadvisable for me to give a profit forecast for the financial year ahead. I can, however, say that the Group now based much more broadly than in the past, looks forward to the future with every confidence.

Carr's Milling Industries Limited

Report of the Directors

GROUP ACTIVITIES

The principal activities during the year were flour milling, the manufacture of animal feedingstuffs and the production of bread and confectionery. All Group Companies and Associated Companies operate within the United Kingdom.

PROFIT

	1978 £	1977 £
The profit attributable to the Group after all charges and taxation, amounted to	674,480	668,850
Less Extraordinary items as shown in Consolidated Profit and Loss Account	35,063	37,789
	639,417	631,061

	1978 £	1977 £
Applied as follows:—		
Ordinary dividend: Interim of 0.96p per share paid (1977 0.88p) ...	48,000	44,000
Final of 1.96p proposed (1977 1.75p) ...	98,000	87,500
	146,000	131,500
Profits retained	493,417	499,561
	639,417	631,061

SHARE CAPITAL

With the following three exceptions the Directors are not aware of any substantial interest (5% or more) in the Ordinary Shares of the Company by any person or group.

Heygate & Sons Ltd.	—	656,500 shares (13.13% of the issued capital)
Sun Alliance & London Insurance Group	—	467,500 shares (9.35% of the issued capital)
Mrs. Beryl Carr and Others	—	273,000 shares (5.46% of the issued capital)

FIXED ASSETS

The Directors are of the opinion that the present value of the Group's properties is substantially in excess of net book value. The properties are fully utilised in the business and there is no intention of making any major disposals.

EXPORTS

The value of goods exported by the Group during the year was £398,181.

Carr's Milling Industries Limited

Report of the Directors (*continued*)

DIRECTORS

The Directors of the Company are as stated on Page 2. All Directors were in office throughout the year. Colonel A. Matthew and Mr. J. S. Robertson retire from the Board by rotation and being eligible offer themselves for re-election.

With the exception of service contracts no Director had any material interest in any contract or arrangement with the Company or any of its Subsidiaries.

The beneficial interests of the Directors and their families were as follows:—

	2nd September 1978		3rd September 1977	
	Ordinary (25p)	*Loan Stock* (£1)	*Ordinary* (25p)	*Loan Stock* (£1)
Ian C. Carr	91,207	—	91,207	—
Alexander Matthew	3,000	809	3,000	809
John S. Robertson	47,250	1,148	47,250	1,148
Sydney P. Smith	10,000	—	10,000	—
J. R. Crawford	13,500	—	13,500	—
R. Young	—	—	—	—
	164,957	1,957	164,957	1,957

In addition, Mr. John S. Robertson held throughout the year, 1,300 Preference Shares of £1 each in Robertsons (Bakers) Ltd., a Subsidiary of the Company.

No changes in the above holdings have taken place between 2nd September, 1978 and 11th December, 1978.

EMPLOYEES

The average number of employees in the Group was 777 and the aggregate remuneration was £2,453,000.

POLITICAL AND CHARITABLE CONTRIBUTIONS

Charitable donations amounted to £1,214. No political donations were made.

TAXATION MATTERS

The Company is not a Close Company. The Market Value of the Company's Ordinary Shares at 6th April, 1965 was 24.4p (after adjustment for subsequent issues).

AUDITORS

Our Auditors, Deloitte, Haskins & Sells, changed their name from Deloitte & Co. on 1st May, 1978. They have, therefore, signed their audit report under their new name. In accordance with Section 14 of the Companies Act 1976, a resolution proposing the re-appointment of Deloitte, Haskins & Sells will be put to the Annual General Meeting.

On behalf of the Board,

IAN C. CARR,

Chairman.

Stanwix,
Carlisle, CA3 9BA.
11th December, 1978.

Carr's Milling Industries Limited

Consolidated Profit and Loss Account

for the year ended 2nd September 1978

	1978		1977 (53 weeks)	
	£	£	£	£
TRADING PROFIT		1,524,227		1,248,924
Surplus on Sale of Fixed Assets ...		44,897		265
Investment Income ... (Note 2)		7,639		6,452
Proportion of Grants receivable ...		19,457		17,458
		1,596,220		1,273,099
Less Directors' Emoluments (Note 3)	85,961		76,261	
Depreciation	345,728		313,387	
Development Expenses	17,200		—	
Bank and Short Term Loan Interest	162,674		162,493	
Loan Stock Interest	3,750		3,750	
Auditors' Remuneration	19,702		14,645	
Plant hire	23,453	658,468	—	570,536
PROFIT BEFORE TAXATION		937,752		702,563
Less Associated Companies — share of losses less profits		5,922		(16,855)
		931,830		719,418
Less Taxation ... (Note 4)		256,476		49,953
		675,354		669,465
Less Net Profit of Subsidiaries attributable to minority Shareholders ...		874		615
PROFIT AFTER TAXATION (Note 5)		674,480		668,850
Less Extraordinary Items (Note 6)		35,063		37,789
PROFIT AFTER EXTRAORDINARY ITEMS		639,417		631,061
Less Ordinary Dividends:—				
Interim of 0.96p per share ...	48,000		44,000	
Proposed Final of 1.96p per share	98,000	146,000	87,500	131,500
PROFIT RETAINED		493,417		499,561
EARNINGS PER SHARE		13.5p		13.4p

Carr's Milling Industries Limited

Consolidated Balance Sheet

as at 2nd September 1978

	1978 Authorised £	1978 Issued £	1977 Authorised £	1977 Issued £
SOURCES OF FUNDS				
SHARE CAPITAL				
Ordinary shares of 25p each, fully paid	1,300,000	1,250,000	1,300,000	1,250,000
RESERVES ... ... (Note 7)		3,537,583		3,034,621
SHAREHOLDERS' FUNDS		4,787,583		4,284,621
7½% Unsecured Loan Stock 2001/05		50,000		50,000
Minority Interests in Subsidiaries ...		20,774		21,138
Taxation ... ... (Note 8)		418,733		225,585
Grants under the Industry Act 1972 ...		348,430		321,400
		5,625,520		4,902,744
EMPLOYMENT OF FUNDS				
FIXED ASSETS ... (Note 9)		4,066,583		3,798,575
INVESTMENTS ... (Note 10)		193,625		223,107
CURRENT ASSETS				
Stock ... ... (Note 11)	3,047,287		2,233,981	
Debtors	2,621,883		1,727,896	
Grants Receivable	102,155		62,441	
Cash Balances	4,268		21,045	
	5,775,593		4,045,363	
Less CURRENT LIABILITIES				
Creditors	2,267,914		1,132,296	
Current Taxation	73,378		97,301	
Bank Overdraft and Loan	1,970,989		1,847,204	
Proposed Final Ordinary Dividend ...	98,000		87,500	
	4,410,281		3,164,301	
NET CURRENT ASSETS		1,365,312		881,062
		5,625,520		4,902,744

Carr's Milling Industries Limited

Balance Sheet as at 2nd September 1978

	1978 Authorised £	1978 Issued £	1977 Authorised £	1977 Issued £
SOURCES OF FUNDS				
SHARE CAPITAL				
Ordinary Shares of 25p each, fully paid	1,300,000	1,250,000	1,300,000	1,250,000
RESERVES ... ... (Note 12)		1,723,868		1,401,580
		2,973,868		2,651,580
7½% Unsecured Loan Stock 2001/05		50,000		50,000
		3,023,868		2,701,580
EMPLOYMENT OF FUNDS				
INVESTMENTS ... (Note 13)		110,583		105,583
INTERESTS IN SUBSIDIARIES (Note 14)				
Shares at cost less amounts written off	1,033,222		1,033,166	
Due from Subsidiaries	2,316,768		1,936,745	
	3,349,990		2,969,911	
Deferred Relief from Advance Corporation Tax	179,309	3,529,299	108,153	3,078,064
Debtors		4,001		4,001
		3,643,883		3,187,648
Less CURRENT LIABILITIES				
Creditors	6,606		4,026	
Current Taxation	71,910		67,070	
Bank Overdraft	443,499		327,472	
Proposed Final Ordinary Dividend ...	98,000	620,015	87,500	486,068
		3,023,868		2,701,580

IAN C. CARR } Directors
SYDNEY P. SMITH

Carr's Milling Industries Limited

Accounting Policies

1. BASIS OF ACCOUNTING
The Accounts are prepared on the historical cost basis of accounting, with the exception of certain fixed assets which are included at a valuation made in 1949.

2. BASIS OF CONSOLIDATION
The Consolidated Profit and Loss Account and Balance Sheet include the Accounts of the Holding Company and all of its Subsidiary Companies.

3. ASSOCIATED COMPANIES
The Group's share of profits and losses of five Associated Companies are included in the Accounts. The figures included are based on unaudited Accounts for year-end dates varying from 30th April, 1978 to 31st August, 1978 and the Directors are satisfied as to their reliability.

4. FIXED ASSETS
Grants received in past years under the Industrial Development Act 1966 were added to Capital Reserve and have since remained therein. Grants receivable under the Industry Act 1972 are credited to a separate Account in the Balance Sheet. These are being credited to Profit and Loss Account on a basis which reflects the benefit over the expected useful life of the assets concerned. Depreciation is calculated on a straight line basis by reference to cost (before grants) or to valuation using the rates shown below. A full year's depreciation is normally provided in the financial year of acquisition and none in the year of disposal.

Freehold Properties	...	2%
Long Leasehold Properties	...	over the period of the lease
Plant, Equipment, and Motor Vehicles	...	5%—20%

5. STOCKS
Stocks are valued at the lower of cost and net realisable value. Cost of Group products consists of direct materials and labour together with appropriate production overheads.

6. DEVELOPMENT EXPENDITURE
During the 53 weeks ended 3rd September, 1977, a Subsidiary Company established a factory to manufacture frozen foods. Part of the cost of developing processes and products for sale was carried forward to be written off over the following five years.

7. DEFERRED TAXATION
Deferred taxation has not been provided where, in the opinion of the Directors, such tax will not become payable. Where the continued deferment is not reasonably certain in the foreseeable future deferred taxation has been provided on the liability method.

8. EARNINGS PER SHARE
The calculation of earnings per share is based on earnings of £674,480 (1977 £668,850) and on 5,000,000 Ordinary Shares in issue.

Carr's Milling Industries Limited

Notes on the Accounts

	1978	1977
	£	£
1. GROUP TURNOVER		
Sales	28,912,000	24,556,000
Less Inter Company sales of products for re-processing ...	2,815,000	2,451,000
Sales to External Customers	26,097,000	22,105,000

	1978	1977
2. INVESTMENT INCOME		
Listed	309	304
Unlisted	7,330	6,148
	7,639	6,452

	1978	1977
3. DIRECTORS' EMOLUMENTS		
Managerial	79,661	69,961
Fees	6,300	6,300
	85,961	76,261
Excluding pension scheme contributions, emoluments were:—		
Chairman	13,504	11,371
Other Directors: Number receiving at the rate of:—		
£ 7,501—£10,000 p.a.	—	1
£10,001—£12,500 p.a.	5	4

	1978	1977
4. TAXATION		
Corporation tax at 52%	1,163	3,253
Add Transfer to Deferred Taxation	256,525	27,183
	257,688	30,436
Less Overprovision (Underprovision) in previous years ...	1,212	(4,505)
	256,476	34,941
Add Associated Companies — share of charge	—	15,012
	256,476	49,953

Tax losses of £257,000 arising mainly from unused stock relief and capital allowances are carried forward by certain Subsidiaries and will be set-off against future profits of those Subsidiaries.

Carr's Milling Industries Limited

Notes on the Accounts

	1978	1977
	£	£
5. PROFIT AFTER TAXATION		
Dealt with in the Accounts of Holding Company	468,288	460,846
Retained by Subsidiaries	245,363	206,161
Retained by Associated Companies	(39,171)	1,843
	674,480	668,850
6. EXTRAORDINARY ITEMS		
Goodwill written off on acquisition of subsidiaries	35,063	—
Costs arising mainly from cessation of trade by two Subsidiaries	—	37,789
	35,063	37,789
7. RESERVES (Consolidated)		
Share Premium	162,650	162,650
Capital:		
At 3rd September, 1977 (28th August 1976)	390,505	390,505
Adjustment arising on changes in subsidiaries	10,315	—
	400,820	390,505
General:		
At 3rd September, 1977 (28th August 1976)	2,481,466	1,981,905
Adjustment arising on changes in subsidiaries	(770)	—
Transfer from Profit and Loss Account	493,417	499,561
	2,974,113	2,481,466
Total Reserves	3,537,583	3,034,621
8. TAXATION		
Deferred Taxation	418,733	225,585

The balance on this account covers Corporation Tax of £935,000 (1977 £652,000) representing a deferment of tax liabilities by reason of relief for increases in the value of stocks, reduced by Advanced Corporation Tax of £179,000 (1977 £108,000) and Corporation Tax of £337,000 (1977 £318,000) from unused losses carried forward for set-off against future liabilities.

Tax deferred by capital allowances at 2nd September 1978 was £1,256,000 (1977 £1,090,000) but in accordance with Accounting Policies Note 7, it is no longer considered necessary to provide for this because there is no reasonable probability that such tax will be payable in the foreseeable future.

Carr's Milling Industries Limited

Notes on the Accounts

9. FIXED ASSETS	Freehold Properties £	Long Leasehold Properties £	Plant, Equipment and Motor Vehicles £	Total £	Total 1977 £
Valuation 1949 *less sales* to 3rd September, 1977	138,460	—	161,148	299,608	299,608
Cost to 3rd September, 1977 ...	1,181,171	355,098	4,127,542	5,663,811	4,707,926
Additions in year	88,705	2,672	580,811	672,188	1,207,690
Acquisition of Subsidiary ...	55,000	—	19,953	74,953	—
	1,463,336	357,770	4,889,454	6,710,560	6,215,224
Sales in year	85,744	—	108,373	194,117	251,805
Cost to 2nd September, 1978 ...	1,377,592	357,770	4,781,081	6,516,443	5,963,419
Depreciation:—					
Provided at 3rd September, 1977	284,977	106,201	1,773,666	2,164,844	1,978,717
Charged in the year	26,522	12,406	306,800	345,728	313,387
Acquisition of subsidiary ...	—	—	9,463	9,463	—
	311,499	118,607	2,089,929	2,520,035	2,292,104
Eliminated on sales	16,507	—	53,668	70,175	127,260
Provided at 2nd September, 1978	294,992	118,607	2,036,261	2,449,860	2,164,844
Net Book Value: 2nd September, 1978	1,082,600	239,163	2,744,820	4,066,583	—
3rd September, 1977	1,034,654	248,897	2,515,024	—	3,798,575
Future Capital Expenditure: Orders placed				95,000	—
Authorised but not ordered				—	105,000

10. INVESTMENTS (Consolidated)		1977
Listed at cost	9,827	9,827
Less Investment Reserve	—	5,000
(Market Value £6,480, 1977 £6,200)	9,827	4,827
Unlisted: Equities at cost (less share of losses since acquisition) ...	57,284	20,225
Preference Shares at cost and loans	126,514	198,055
	193,625	223,107

Particulars of Unlisted Equities are set out in Note 13 on Page 15. There are contingent liabilities in respect of guarantees of certain Associated Companies' Bank Overdrafts up to a total of £183,000 (1977 £183,000).

Carr's Milling Industries Limited

Notes on the Accounts

	1978	1977
	£	£
11. STOCK		
The main categories of stock held were:—		
Raw materials and stores	1,889,268	1,481,974
Finished products	193,753	252,136
Goods purchased for re-sale	964,266	499,871
	3,047,287	2,233,981
12. RESERVES (Holding Company)		
Share Premium	162,650	162,650
Capital	56,366	56,366
General:		
At 3rd September, 1977 (28th August, 1976)	1,182,564	853,218
Transfer from Profit and Loss Account	322,288	329,346
	1,504,852	1,182,564
Total Reserves	1,723,868	1,401,580
13. INVESTMENTS (Holding Company)		
Listed at cost	9,827	9,827
Less Investment Reserve	—	5,000
(Market Value £6,480, 1977 £6,200)	9,827	4,827
*Unlisted Equities at cost	36,756	36,756
Loans to Associated Companies	64,000	64,000
	110,583	105,583

*Includes the following Associated Companies:—

	Registered in	
Barcombe Farm (Eggs) Ltd.	England	42%
Solway Eggs Ltd.	"	50%
Solway Newlay Ltd.	"	33%

The Accounts of a Subsidiary include the following holdings in Associated Companies:—

Melkinthorpe Egg Producers Ltd. ...	England	33%
Silloth Shipping Co. Ltd.	Scotland	49%

There is a contingent liability in respect of guarantees of Associated Companies' Bank Overdrafts up to a total of £150,000 (1977 £150,000). The Company has also guaranteed the bank loans and overdrafts of certain Subsidiaries.

Carr's Milling Industries Limited

Notes on the Accounts

14. SUBSIDIARIES

Name	*Proportion of shares held* Ordinary %	Preference %
HELD BY THE COMPANY:—		
B.R.B. Trust Ltd.	100	100
Carrs Farm Foods Ltd.	100	—
Carr's Flour Mills Ltd.	100	100
Oliver & Snowdon Ltd.	100	—
Robertsons (Bakers) Ltd.	100	54
Robertsons (Retail) Ltd.	100	—
Seniors (Morecambe) Ltd.	100	—
Society Fare Ltd.	—	100
James Reive & Sons Ltd.	100	—
HELD BY A SUBSIDIARY:—		
Thos. Edmondson Ltd.	100	—

Non-trading subsidiaries are not shown above.

With the exception of James Reive & Sons Ltd. (Registered in Scotland) all the above companies are registered in England.

Carr's Milling Industries Limited

Statement of Source and Application of Funds

	1978 £000	1978 £000	1977 £000	1977 £000
SOURCE OF FUNDS				
GENERATED FROM OPERATIONS				
Profit before tax and extraordinary items	932		719	
Extraordinary items	(35)		(6)	
Adjustment for items not involving the movements of funds:—				
Depreciation	346		313	
Losses (Profits) of Associated Companies	6		(16)	
Grants credited in Accounts ...	6	1,255	(17)	993
FROM OTHER SOURCES				
Disposals of fixed assets	121		96	
Grants received under the Industry Act 1972	6		114	
Reduction in investments and loans ...	29	156	—	210
TOTAL FUNDS RECEIVED		1,411		1,203
APPLICATION OF FUNDS RECEIVED				
Dividends paid	135		122	
Tax paid	109		223	
Purchase of fixed assets	737		1,208	
Additional investments and loans ...	—		25	
Development expenses	—	981	86	1,664
INCREASE (DECREASE) IN WORKING CAPITAL		430		(461)
DETAILS OF INCREASE (DECREASE) IN WORKING CAPITAL				
Increase in stocks		813		510
Increase in debtors		894		323
Increase in creditors		(1,136)		(140)
Movement in liquid funds:—				
Increase in bank overdraft *less* cash balances		(141)		(1,154)
		430		(461)

Carr's Milling Industries Limited

Report of the Auditors to the Members

We have examined the accounts set out on pages 8 to 17, which have been prepared on the basis of the Accounting Policies set out on page 11. In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group at 2nd September, 1978 and of the profit and source and application of funds for the year ended on that date and comply with the Companies Acts 1948 and 1967.

DELOITTE, HASKINS & SELLS,
Chartered Accountants.

Bradford,
11th December, 1978.

Carr's Milling Industries Limited

Current Cost Statement

for the year ended 2nd September, 1978

	Note	£'000
Profit before taxation on historical cost basis		932
Less: Adjustments for:-	1	
Depreciation		(273)
Cost of sales		(161)
Operating Profit		498
Gearing adjustment	2	82
Adjusted Profit before Taxation and Extraordinary Items		580
Taxation	3	(256)
Adjusted Profit after Taxation		324
Extraordinary Items		(35)
Adjusted Profit after Extraordinary Items		289
Dividends		(146)
Adjusted Profit Retained		143

NOTES:

1. The cost of sales adjustment represents the difference between the cost of goods sold and the estimated cost of replacing these at the time of sale. The depreciation adjustment represents the additional depreciation that would be required for the year if the fixed assets of the Group were to be valued at their current replacement cost.
Both the cost of sales and the depreciation adjustments have been estimated in the main by applying appropriate indices.

2. The gearing adjustment recognises that the assets are partly financed from borrowed funds and by creditors. It covers a reduction in the cost of sales and depreciation adjustments in the proportion that net monetary liabilities (borrowed funds and creditors less cash and debtors) bear to the total of such liabilities and shareholders' funds adjusted on a current cost basis.

3. The tax charge is the same as that shown in the accounts.

4. No adjustments for inflation have been made in respect of the Group's interest in the assets and results of Associated Companies.

5. This statement has been prepared on the basis of the interim recommendation by the Accounting Standards Committee ('The Hyde Guidelines') and is unaudited.

Carr's Milling Industries Limited

Five Year Statement

	1974	1975	1976	1977 (53 Weeks)	1978
GROUP TURNOVER					
Sales	12,755,000	14,155,000	18,163,000	24,556,000	28,912,000
Less: Inter Company Sales of products for Re-Processing	1,541,000	1,683,000	2,111,000	2,451,000	2,815,000
Sales to External Customers	11,214,000	12,472,000	16,052,000	22,105,000	26,097,000
PROFITS					
Profit before Taxation ...	60,404	743,170	739,261	702,563	937,752
Associated Companies — Share of Profits ...	48,375	(51,064)	(1,770)	16,855	(5,922)
	108,779	692,106	737,491	719,418	931,830
Taxation (Adjusted) ...	2,700	307,060	251,014	49,953	256,476
	106,079	385,046	486,477	669,465	675,354
Net Profit Attributable to Minority Shareholders ...	880	880	880	615	874
	105,199	384,166	485,597	668,850	674,480
Extraordinary Items ...	—	2,000	—	37,789	35,063
	105,199	382,166	485,597	631,061	639,417
Ordinary Dividend ...	100,500	107,000	117,700	131,500	146,000
Profit Retained	4,699	275,166	367,897	499,561	493,417
FUNDS EMPLOYED					
Fixed Assets	2,745,894	2,769,164	3,028,817	3,798,575	4,066,583
Investments Including Associated Companies ...	178,280	203,543	198,259	223,107	193,625
Net Current Assets ...	354,807	910,186	1,092,669	881,062	1,365,312
	3,278,981	3,882,893	4,319,745	4,902,744	5,625,520

Earnings per Ordinary Share of 25p	2.1p	7.7p	9.7p	13.4p	13.5p
Dividend per Ordinary Share of 25p	2.0p	2.1p	2.4p	2.6p	2.9p
Profit as a Percentage of External Sales	.5%	6.0%	4.6%	3.2%	3.6%
Profit as a Percentage of Funds Employed	3.3%	17.8%	17.1%	14.7%	16.6%