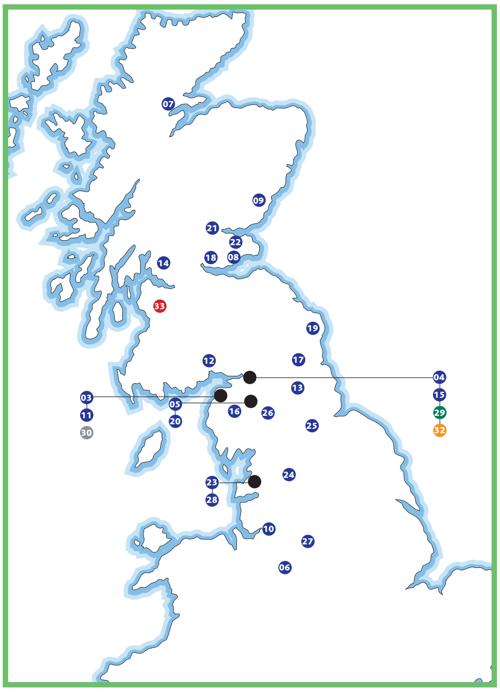
contents



location of operations

AGRICULTURE

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

Caltech
03 Silloth

Feed Mills
(Carrs Billington Agriculture)
04 Carlisle
05 Penrith
06 Stone

Fertiliser
07 Invergordon
08 Methill
09 Montrose
10 Runcorn
11 Silloth

Retail
12 Annan
13 Barnard Castle
14 Buchlyvie
15 Carlisle
16 Cockermouth
17 Hexham
18 Milnathort
19 Morpeth
20 Penrith
21 Perth
22 Pitscottie

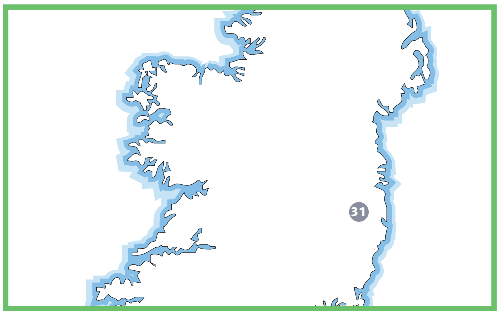
Retail
(Carrs Billington Agriculture)
23 Brock
24 Gisburn
25 Hawes
26 Kirkby Stephen
27 Leek
28 Pilling

ENGINEERING
29 Bendalls Carlisle
29 Hinds Carlisle
29 Keytor Carlisle

FOOD
30 Carr's Flour Mills Silloth
30 Carrs Foodtech Silloth
30 John Stronach (Shipbrokers) Silloth
31 George Shackleton Dublin

HEAD OFFICE
32 Carr's Milling Industries PLC Carlisle

TRAVEL
33 B&A Travel Beith



summary of results

Registered Office and Advisors

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

Auditors
PricewaterhouseCoopers
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

Merchant Bankers
Dresdner Kleinwort Benson
20 Fenchurch Street
London EC3P 3DB

Brokers
ING Barings Limited
60 London Wall
London EC2M 5TQ

Solicitors
Atkinson Ritson
15 Fisher Street
Carlisle CA3 8RW

Registrars
Northern Registrars Limited
Northern House
Penistone Road
Fenay Bridge
Huddersfield HD8 0LA

Financial

	2001 £'000	2000 £'000
Group turnover	113,155	97,994
Earnings before interest, tax and depreciation*	5,560	5,201
Group operating profit - continuing operations	2,447	3,470
Profit for the financial year	1,675	1,398
Net cash inflow from continuing operating activities	6,749	6,984
Net debt	5,476	7,397
Group capital employed	18,946	17,900
Earnings per share		
Basic	20.9p	17.5p
Alternative basis	23.9p	20.2p
Dividends		
Interim paid	3.0p	3.0p
Final proposed	5.0p	6.0p
Total	8.0p	9.0p

* Before exceptional items.

chairman's statement
by David Newton

Financial Overview

If a week is a long time in politics, a year like the last one is a long time in any business, but particularly British Agriculture!

The reported result for the year to 1 September 2001 at £2.06 million, against £2.17 million last year, is very respectable given the dire backdrop of Foot and Mouth Disease (FMD). On an underlying basis, excluding one-off items both ways, the result is even better at £2.32 million (2000: £2.49 million).

Basic earnings per share were 20.9p against 17.5p last time, a 19% increase. Using the underlying basis, earnings per share rose by 18% to 23.9p against 20.2p last time.

Gearing reduced again this year, to 29.4% from 41% last year and, as forecast, was much reduced from 61% at the half year. Equity shareholders' funds of £18.6 million (2000: £17.6 million) represent net assets per share of 233p (2000: 220p). Interest cover was 3.2 times (2000: 3.8 times).

Dividends

At the half-year we proposed a dividend of 3p per share, despite the very dark clouds on the horizon. We also cautioned that this should in no way be regarded as a pointer to the level of the full year dividend payment.

While considering the final dividend the Board has taken into its judgement the likely impact on the business of FMD over the next six months and the Board is proposing a final dividend of 5.0p (2000: 6.0p), making a total for the year of 8.0p (2000: 9.0p).

If approved at the AGM to be held at 11.30am on 8 January 2002 at the Crown Hotel, Wetheral, Carlisle, this will be paid on 25 January 2002 to shareholders on the register at close of business on 21 December 2001.

Operational Review

The FMD impact has already been referred to, but what is perhaps not fully understood is that the sales of compound feed remained artificially high in the spring of 2001, as farmers desperately tried to prevent the disease hitting their herds, by keeping stock inside much longer than normal and of course the slaughter backlog meant there were more animals still alive then than there are today. This dual effect postponed the true reduction in compound feed sales and we expect the full effects to be felt this winter and spring 2002, all depending of course on whether and at what levels farms restock in our main trading areas.

As a direct consequence, announcements were made on 3 September 2001 of a further integration of the activities of Carrs Agriculture and Billington Agriculture, regretfully

resulting in a number of redundancies. This is considered necessary to improve the efficiencies of the feed and retail operations in the more difficult market place now existing.

Sales of fertilisers, like compound feed, felt the backlash of FMD which, added to late ordering and the wet spring, made it difficult to make a sensible return on this activity.

Our flour business continued to be subjected to margin pressures, but performed well in terms of volumes and by comparison to its competitors.

Engineering again performed poorly over the whole year in difficult circumstances, in the main due to reduced activity levels in the sectors in which it operates, especially animal feed installations, the oil and gas industry and, perhaps surprisingly, reduced output from some of the BNFL plants, for which Bendalls has now a preferred supplier status.

Employees

The achievements of the past and potential for the future would not have been possible without the hard work and dedication of our employees. I would like to take this opportunity to record the Board's gratitude to them for a job well done in the intensely difficult circumstances.

Outlook

Foot and Mouth Disease has had and will continue to have a drastic effect on our business in so many ways. We continue to address the issues to maintain a strong company, hence our increased integration with the Carrs Billington Agriculture businesses, our continued expansion of our feed block business in the USA and the UK together with several other initiatives in the pipeline, all of which will help the Group to remain strong and progressive in the future. Despite continuing difficult market conditions for much of our business in the UK, we are hopeful of further progress in the current year.

David Newton, Chairman
12 November 2001

chief executive's review
by Christopher NC Holmes

Overview

Agriculture continued to progress, particularly in the United States of America and continental Europe, in both sales and profits notwithstanding Foot and Mouth Disease (FMD) which hit the UK from February onwards. Food suffered from margin erosion due to severe over-capacity in the milling industry. Engineering continued to struggle in a market that is affected so much, directly and indirectly, by the strength of the pound against the Eurozone currencies.

Agriculture

Operating profit for the Agriculture Division after adjusting for the exceptional reorganisation costs was £3.5 million (2000: £3.6 million) on a turnover of £87.8 million (2000: £73.0 million). This result is particularly pleasing against the backdrop of FMD that ravaged the North of England and South West Scotland and particularly our heartland, Cumbria. The result reflected a very high level of activity in agricultural machinery as many farmers purchased equipment to grow alternative crops for cash flow as their livestock had been culled. Also feed sales did not suffer to the expected reduced level, partly because farmers not affected were unable to move livestock due to being in restricted areas.

Again, an excellent performance was achieved in the USA, with our branded low moisture feed block, 'Smartlic', continuing to grow market share. The second plant in the USA, commissioned in September 1999, at Belle Fourche, South Dakota, reached capacity during the year and capital expenditure was authorised for a second production line. This second line was commissioned in October 2001. The lawsuit against our USA subsidiary, Animal Feed Supplement, Inc., was resolved to our benefit but with only partial recovery of our costs. We now have the uncontested right to the use of the half-barrel trademark.

Sales of our low moisture feed block, 'Crystalyx', beat expectations, particularly in continental Europe; 'Horslyx' and the 'Stable Lick' equine brands continue to grow in both the UK and continental Europe. The equine brands are being fed to some of the leading horses in the world and we expect to see further growth in this market.

The bringing together of the sales forces of AF Feeds, Billington Agriculture and Carrs Agriculture on 3 September 2001, subsequent to the year end, has achieved the cost savings which will be necessary to drive the business forward profitably.

The impact of FMD is going to be one of reduced demand this winter for animal feed and animal health products. We had the benefit last winter of the feed mills working at full capacity prior to the outbreak. We are now facing a slow build up of animal numbers as farmers gradually restock their farms.

Fertiliser was performing well until the outbreak of FMD, which then resulted in orders being cancelled, changed or delayed as farms became affected or put off receiving fertiliser until their fate was known. This caused us to carry out a strategic review of the business, which resulted in the closure of our fertiliser blending facility in Glasgow. The costs savings being achieved, as a result of this review, will have a positive impact on profits in the current year.

Our retail business performed exceptionally well last year, given the circumstances. With our strength in this area and the new Carrs Billington Agriculture sales operation formed on 3 September 2001, extending our retail network to 16 branches serving farmers from Milnathort in Fife down to Leek in Staffordshire, further long-term growth is expected.

The enlarged Agriculture Division comprising Animal feed Supplement Inc., USA; Carrs Agriculture, incorporating Caltech Biotechnology and Carrs Fertilisers; and Carrs Billington Agriculture (Sales) Ltd, the feed and retail branches business will achieve significant sales growth. The closing of facilities, rationalisation and restructuring of Carrs Billington Agriculture cost £962,000, which has been charged against profits in this year. These one-off costs were partially offset by exceptional gains in the year of £708,000, which mainly related to the sale of unused properties in Carrs Billington Agriculture. We are therefore moving forward in agriculture with a focussed sales force, an extended retail branch structure, a streamlined fertiliser business and a low moisture feed block business, all ready for the challenges that will undoubtedly occur.

Food

Operating profit from the Food Division, which comprises Carrs Flour Mills, Carrs Foodtech, both in Cumbria, and George Shackleton in Dublin, was £374,000 (£2000: £607,000) on a turnover of £17.5 million (2000: £18.3 million). Although the operating profit was down by almost 40%, I consider it to be one of the best performances the Division has made considering the turmoil in which the flour milling industry has been. During the last year the

chief executive's review continued

situation started to change with some competitor flour mills ceasing to trade and being closed. This has resulted in supply and demand being more in balance with margins moving towards more realistic levels, which should allow the industry to deal with the difficult harvest. The recent capital expenditure in our flour mill should show real financial benefits this year, particularly with the quality specialised products which we can produce so well.

Engineering

The Engineering Division, based in Carlisle, achieved a poor financial result due to difficult circumstances, with an operating loss of £314,000 (2000: loss £150,000) on a turnover of £7.8 million (2000: £6.7 million).

Bendalls, our high integrity welding business operating in the oil, gas and petrochemical sectors, continued to feel the adverse effects of the strong pound and intense competition for work in these sectors. Bendalls' status as a preferred supplier to BNFL was beneficial in the year but postponed contract work in the nuclear sector more than offset this position. Tremendous effort has been put into new markets, which it is hoped will come to fruition during the current year.

Keytor, our mechanical and electrical engineering business which operates mainly in the agriculture and food markets, suffered with feed mills and flour mills being closed rather than built.

R Hind, our specialist vehicle bodybuilding and accident repair centre, made progress during the year, winning new contracts, the benefits from which will come through during the current year.

The redundancy costs at Bendalls and Keytor during the year, and other changes thereafter, have reduced our operating costs moving forward.

Staff

I would like to take this opportunity of thanking all my colleagues in the UK, the Republic of Ireland and the USA for their considerable commitment to succeed in the difficult markets experienced. Particularly, I would like to thank Denis J Daly, the CEO and President of AFS Inc., and all his colleagues for driving the business profitably forward and for the tremendous support being given by so many people associated with the Company whilst we have been in the middle of the FMD crisis. We have the people to face the challenges and grow the business profitably for the future.

Christopher N C Holmes
Chief Executive
12 November 2001

board of directors

Robert Heygate
Non-Executive Director

Ron Wood
Finance Director

Chris Holmes
Chief Executive

David Newton
Chairman

statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Carr's Milling Industries plc web site is the responsibility of the directors. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

directors' report

Directors' Report
The directors present their Annual Report together with the audited financial statements for the year ended 1 September 2001.

Principal Activities
The principal activities and the development of the Group are described in the Chairman's Statement and the Chief Executive's Review. The financial statements for the year ended 1 September 2001, including other information about the Group's financial position, are set out on pages 18 to 42.

Dividends
The directors recommend a final dividend on ordinary shares in respect of the year ended 1 September 2001 of 5.0p per share (2000 : 6.0p per share) payable on 25 January 2002 to shareholders on the register on 21 December 2001, which with the interim dividend of 3.0p per share (2000 : 3.0p per share) paid on 1 June 2001 absorbs £640,000.

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

Litigation
The lawsuit against Animal Feed Supplement, Inc. ("AFS") alleging trademark infringement was concluded and the Settlement Agreement awarded a small contribution to the substantial legal costs incurred by AFS during the past 3 years. AFS has the right to use the container described in the trademark.

Acquisition/Disposal
On 14 September 2000, a subsidiary undertaking acquired the share capital of Central Farmers (2000) Limited for a nominal consideration. This new company based in Fife, Scotland, supplies animal feed, fertiliser and other agricultural products to the farming community in Central Scotland. During the year the activities of the company were integrated with the Group's other agricultural businesses.

Post Balance Sheet Event
On 3 September 2001 the Company exchanged contracts to sell 49% of its wholly-owned subsidiary, Carrs Agriculture Limited, to Billington Agriculture Holdings Limited for a consideration of £400,000 satisfied on completion in cash. Carrs Agriculture Limited changed its name to Carrs Billington Agriculture (Sales) Limited ("CBAL (Sales)"). At the same time, CBAL (Sales) acquired the trade and certain assets of Billington Agriculture Limited and the trade and assets of AF Feeds, for a total consideration of £762,000 satisfied on completion in cash. AF Feeds is the agriculture feed and farm inputs division of Carrs Billington Agriculture Limited (the Company's former 50:50 joint venture with Edward Billington & Son Limited).

On the same day, the Company sold 1% of its shareholding in Carrs Billington Agriculture Limited, thereby reducing its shareholding to 49%, for a cash consideration of £5,000.

Certain divisions of Carrs Agriculture Limited (fertiliser blending, Caltech animal feed blocks and the freehold properties) were transferred to two wholly owned subsidiaries of the Company prior to the sale. The freehold properties are to be leased to CBAL (Sales) for £207,000 per annum.

CBAL (Sales) will market and sell ruminant feed, blended fertilisers, farm machinery and other farm inputs from its 16 agricultural branches in the North of England and Scotland.

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

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

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

Directors

The directors of the Company at 1 September 2001 have been directors for the whole of the year ended on that date.

Mr R C Wood was appointed to the Board as Finance Director in January 1998 and is a member of the Chartered Institute of Management Accountants. Mr R C Wood is also Company Secretary and has a service contract which provides for a rolling two year service notice.

Biographical details of the non-executive directors are shown on the right:

Mr D A Newton (59) held many senior executive positions with Hillsdown Holdings plc and was Chief Executive for a number of years until his retirement in September 1996. He is also a director of a number of other publicly quoted companies and private companies.

Mr A R Heygate (56) 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.

The two non-executive directors have two year fixed term contracts which expire on 31 August 2003.

Directors' Interests

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

	On 1 September 2001	On 3 September 2000
A R Heygate	37,225	37,225
D A Newton	15,000	15,000
C N C Holmes	3,000	3,000
R C Wood	1,000	1,000
	56,225	56,225

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

Details of the directors' remuneration and incentives including share options are disclosed further in the Remuneration Report.

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

Share Options

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

Significant Shareholders

As at 7 November 2001, the Company had received notification of the following shareholders having 3% or more of the issued share capital:

	Total Holding	Percentage of Issued Capital
Heygate & Sons Limited	1,717,262	21.47%
Nutraco Nominees Limited	1,217,245	15.22%
Wesleyan Assurance Society	350,000	4.38%

directors' report

Charitable and Political Contributions
Charitable donations made by the Group during the year amounted to £14,171 (2000 : £2,573). No political contributions were made (2000 : Nil).

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

The amount of trade creditors shown in the Group balance sheet at the end of the financial year represents 38 days (2000 : 39 days) of average daily purchases from suppliers.

The Company has no trade creditors.

Annual General Meeting
The Annual General Meeting will be held at 11.30 am on Tuesday 8 January 2002 at the Crown Hotel, Wetheral, Carlisle.

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

Resolution 5 will give the Company authority to buy, by way of market purchases, up to 799,664 of its own shares (representing 10 per cent of the current issued capital).

The proposal should not be taken as an indication that the Company will purchase its own shares. This authority will only be exercised by the Directors if they are satisfied that it would result in an increase in earnings per share and would be in the best interest of shareholders generally.

Resolution 6, if approved, will disapply the statutory pre-emption right set out in the Companies Act 1985 and renew the Directors' power to issue up to 5 per cent of the issued share capital for cash otherwise than strictly pro rata to existing shareholders. The authority will also need to be renewed at the Annual General Meeting in 2003.

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

By Order of the Board

Ronald C Wood
Secretary
Carlisle
12 November 2001

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

- the appointment of a senior independent non-executive director
- one of the two non-executive directors is not independent
- bonuses and benefits in kind paid to executive directors are pensionable
- the directors' contract periods are two years
- there are no specific provisions for compensation on early termination
- the remuneration committee comprises both non-executive directors, however one director is not independent
- the audit committee comprises the two non-executive directors instead of at least three non-executive directors a majority of whom should be independent
- the internal controls review was not completed until summer 2001

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

Board Structure and Committees

The Board at 1 September 2001 comprised two executive directors (including the Group Chief Executive) and two non-executive directors (including the Chairman), who bring a range of skills and experience to the Board. Biographical details of all current non-executive directors are set out on page 9.

Directors

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

The roles of the Chairman and the Group Chief Executive are separated and clearly defined. The Chairman's overall responsibility is to ensure that the Board carries out its responsibilities, and the Group Chief Executive, to directing and promoting the operation and development of the Group.

One of the non-executive directors is not considered independent as he is deemed to represent a significant shareholder. The Board have considered the appointment of a third non-executive director and the Board concluded that it does not believe it is necessary to appoint another non-executive director at this time. The Board has not set an objective on the reduction of directors' service contract periods to one year or less. The Board does not wish to reduce the service 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.

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 comprises of David Newton as Chairman and the other non-executive director. The report on directors' remuneration is set out on pages 14 to 17.

Accountability and Audit

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

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

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

The Combined Code required directors to introduce procedures to 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. 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.

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

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

Relations with Shareholders

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

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

Going Concern

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

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

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies. We have also audited the Directors' remuneration and pensions disclosures which form part of the remuneration report.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act 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 or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the chairman's statement, the chief executive's review and the corporate governance statement.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all the risks and controls, or to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its risks and control procedures.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 1 1 September 2001 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
12 November 2001

remuneration report

Remuneration Committee

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

Terms of Reference

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

- determine a remuneration package for each executive director which shall be designed to encourage them to enhance the Group's performance and provide fair reward for their contribution;

- agree the performance criteria applicable to any bonus scheme for the executive directors and determine whether the same have been fulfilled; and

- consider proposals for the granting of share options to the executive directors and the performance targets which must be achieved before such options may be exercised.

Remuneration Policy

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

Share Options

	Number of Options 01.09.01	Number of Options 02.09.00	Exercise Price	Date from which Exercisable	Expiry Date
C N C Holmes	27,500	27,500	103.5p	24.01.95	23.01.02
	20,000	20,000	81.5p	19.01.96	18.01.03
	19,690	19,690	212.0p	25.11.97	24.11.04
	20,000	20,000	312.5p	01.02.99	31.01.03
	87,190	87,190			
R C Wood	19,460	19,460	103.5p	24.01.95	23.01.02
	10,000	10,000	81.5p	19.01.96	18.01.03
	19,690	19,690	212.0p	25.11.97	24.11.04
	20,000	20,000	312.5p	01.02.99	31.01.03
	69,150	69,150			

During the year the share price ranged between 129.5p and 83.5p. The middle market closing price at 1 September 2001 was 98.5p.

No director was granted or exercised options during the year.

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

Directors' Emoluments

	Salary/Fees		Benefits in kind		Bonus		Pension and related benefits		Total	
	00/01 £'000	99/00 £'000	00/01 £'000	99/00 £'000	00/01 £'000	99/00 £'000	00/01 £'000	99/00 £'000	00/01 £'000	99/00 £'000
Executive directors										
C N C Holmes	114	103	12	11	25	25	30	62	181	201
R C Wood	94	88	9	8	25	25	13	10	141	131
J E Tudor	—	20	—	2	—	—	—	1	—	23
Non-executive directors										
D A Newton	27	27	—	—	—	—	—	—	27	27
A R Heygate	12	12	—	—	—	—	—	—	12	12
Total emoluments	247	250	21	21	50	50	43	73	361	394

remuneration report

Related benefits comprise insurance contributions to provide death in service benefits.

Pension Entitlement

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

	C N C Holmes	R C Wood
Age at 1 September 2001	49	53
	£'000	£'000
Directors' contributions during the year	—	5
Increase in accrued pension entitlement for the year	—	11
Total accrued pension entitlement at 1 September 2001	58	56

The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year and the increase in accrued pension during the year excludes any increase for inflation. Members of the scheme have the option to pay additional voluntary contributions, neither the contributions nor the resulting benefits are included in the 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 pensions of two-thirds of the member's pension is payable plus the balance of a five year guarantee if applicable.

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

C N C Holmes's pension arrangements above the Inland Revenue cap are funded and non-approved and attempt to provide for a pension of two-thirds of his final pensionable salary at age 60, inclusive of benefits from his previous employment, and a surviving spouse's pension of two-thirds of his pension. Pensions in payment are to be increased annually by the increase in RPI. The funding cost of this arrangement in 2001 was £2,000 (2000 : £38,000).

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

Annual Bonus

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

Entitlement to Notice

The executive directors have service contracts which are terminable on two years' notice by either party. The Remuneration Committee considers that such notice periods are reasonable and proper in the interests of both the Company and the executive directors. The non-executive directors have service contracts for two years and the next review is August 2003.

Policy on External Appointments

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

Remuneration Policy for Non-Executive Directors

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

Signed for the Remuneration Committee
on behalf of the Board

David A Newton
Chairman, Remuneration Committee

consolidated profit and loss account
for the year ended 1 September 2001

Notes		2001 £'000	2000 £'000
2	**Turnover: group and share of joint venture**		
	Continuing operations	121,028	104,186
	Acquisitions	5,656	—
		126,684	104,186
	Less: share of turnover of joint venture - continuing operations	(13,529)	(6,192)
	Group turnover	113,155	97,994
3	Cost of sales	(95,808)	(81,184)
3	**Gross profit**	17,347	16,810
3,4	**Group operating profit**		
	Continuing operations	2,516	3,470
	Acquisitions	(69)	—
		2,447	3,470
	Share of operating profit/(loss) in joint venture - continuing operations	219	(629)
	Total operating profit: group and share of joint venture	2,666	2,841
8	Investment income	—	1
5	Profit on disposal of investment	—	111
5	Group share of profit on disposal of fixed assets in joint venture	335	—
	Profit on ordinary activities before interest	3,001	2,953
	Interest receivable		
9	group	83	21
	joint venture	13	12
	Interest payable		
10	group	(953)	(820)
	joint venture	(82)	—
	Profit on ordinary activities before taxation	2,062	2,166
11	Taxation	(376)	(700)
	Profit on ordinary activities after taxation	1,686	1,466
	Minority interests - equity	(11)	(68)
	Profit for the financial year	1,675	1,398
12	Dividends	(640)	(720)
26,27	**Retained profit for the financial year**	1,035	678
	Earnings per ordinary share:		
13	Basic	20.9p	17.5p
13	Diluted	20.9p	17.5p
13	Alternative basis	23.9p	20.2p

statement of group total recognised gains and losses
for the year ended 1 September 2001

Notes		2001 £'000	2000 £'000
	Profit for the financial year	1,675	1,398
	Currency translation differences on foreign currency net investments	—	101
	Total recognised gains and losses relating to the year	1,675	1,499

Note of group historical cost profits and losses

Notes		2001 £'000	2000 £'000
	Reported profit on ordinary activities before taxation	2,062	2,166
	Realisation of property revaluation gains of previous years	—	403
26	Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	95	31
	Historical cost profit on ordinary activities before taxation	2,157	2,600
	Historical cost profit for the year retained after taxation, minority interests and dividends	1,130	1,112

consolidated balance sheet

At 1 September 2001

Notes		2001 £'000	2001 £'000	2000 £'000	2000 £'000
	Fixed assets				
14	Intangible assets		30		43
15	Tangible assets		18,865		18,620
	Investments				
16	Investment in joint venture				
	Share of gross assets	3,725		4,379	
	Share of gross liabilities	(3,557)		(4,596)	
		168		(217)	
16	Loan to joint venture	—		550	
16	Other investments	13		22	
			181		355
			19,076		19,018
	Current assets				
17	Assets held for resale	—		50	
18	Stocks	8,136		7,895	
19	Debtors	14,697		14,549	
	Cash at bank and in hand	1,307		140	
		24,140		22,634	
20	**Creditors**				
	Amounts falling due within one year	20,817		19,771	
	Net current assets		3,323		2,863
	Total assets less current liabilities		22,399		21,881
21	**Creditors**				
	Amounts falling due after more than one year	1,343		2,157	
23	**Provisions for liabilities and charges**	1,876		1,534	
24	**Deferred income**	234		290	
			3,453		3,981
			18,946		17,900
	Capital and reserves				
25	Called-up share capital		1,999		1,999
26	Share premium account		4,698		4,698
26	Revaluation reserve		1,998		2,093
26	Profit and loss account		9,912		8,782
27	Equity shareholders' funds		18,607		17,572
	Minority interests - equity		339		328
			18,946		17,900

holding company balance sheet
At 1 September 2001

Notes		2001 £'000	2001 £'000	2000 £'000	2000 £'000
	Fixed assets				
16	Investments		8,377		9,391
	Current assets				
19	Debtors	9,222		13,253	
	Cash at bank	1,974		—	
		11,196		13,253	
20	**Creditors**				
	Amounts falling due within one year	4,489		8,296	
	Net current assets		6,707		4,957
	Total assets less current liabilities		15,084		14,348
21	**Creditors**				
	Amounts falling due after more than one year	190		992	
23	**Provisions for liabilities and charges**	—		31	
			190		1,023
	.		14,894		13,325
	Capital and reserves				
25	Called-up share capital		1,999		1,999
26	Share premium account		4,698		4,698
26	Profit and loss account		8,197		6,628
	Equity shareholders' funds		14,894		13,325

The financial statements set out on pages 18 to 42 were approved by the Board on 12 November 2001 and signed on its behalf by

Christopher N C Holmes
Ronald C Wood
} Directors

consolidated cash flow statement
for the year ended 1 September 2001

Notes		2001 £'000	2000 £'000
28	**Net cash inflow from continuing operating activities**	6,749	6,984
	Returns on investments and servicing of finance		
	Interest received	91	4
	Interest paid	(771)	(796)
	Interest paid on finance leases	(138)	(70)
	Investment income received	—	1
	Net cash outflow from returns on investments and servicing of finance	(818)	(861)
	Taxation	(801)	(478)
	Capital expenditure and financial investment		
	Purchase of tangible fixed assets	(1,884)	(1,121)
	Sale of tangible fixed assets	91	200
	Sale of assets held for resale	50	257
	Sale of investment	—	112
	Loan to joint venture repaid/(made)	550	(550)
		(1,193)	(1,102)
	Acquisitions and disposals		
	Net overdraft acquired with subsidiary undertaking	(562)	—
	Investment in joint venture	—	(150)
		(562)	(150)
	Equity dividends paid	(720)	(640)
	Cash inflow before financing	2,655	3,753
32	**Financing**	(1,412)	(1,489)
31	**Increase in net cash**	1,243	2,264

statement of accounting policies
for the year ended 1 September 2001

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

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

The transitional arrangements permitted by FRS17 'Retirement Benefits' have been adopted in the year. The additional disclosures required are provided in note 36.

The adoption of FRS18 'Accounting Policies' in the year has had no impact.

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

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

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

Turnover
Turnover represents the value of goods despatched or services rendered to customers, and the value of long-term contract work done, excluding value added tax, to third parties.

Revaluation of properties
Prior to 1999, some freehold and leasehold properties were revalued. On adoption of FRS15 in 1999, 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.

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

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

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

Financial instruments and derivatives
The Group's accounting policy for derivatives is to defer in the Group profit and loss account 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.

statement of accounting policies
for the year ended 1 September 2001

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

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

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

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

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

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

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

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

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

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

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

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

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

1 The Holding Company has taken advantage of the exemption, under section 230 of the Companies Act 1985, from presenting its own profit and loss account. The profit after tax for the year dealt with in the accounts of the Holding Company was £2,209,000 (2000: £1,217,000).

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	
	2001	2000	**2001**	2000	**2001**	2000
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Business analysis						
Agriculture - Group	**87,793**	73,000	**2,582**	3,133	**2,036**	3,056
- Joint venture	**13,529**	6,192	**554**	(629)	**168**	(217)
Food	**17,525**	18,334	**374**	607	**4,827**	4,794
Engineering	**7,837**	6,660	**(314)**	(150)	**4,576**	4,841
Profit on sale of investment	—	—	—	111	—	—
Interest payable	—	—	**(939)**	(787)	—	—
Central	—	—	**(195)**	(119)	**7,339**	5,426
Total	**126,684**	104,186	**2,062**	2,166	**18,946**	17,900
- Group	**113,155**	97,994	**1,577**	2,783	**18,778**	18,117
- Joint venture	**13,529**	6,192	**485**	(617)	**168**	(217)

(Interest payable includes £69,000 relating to joint venture (2000: receivable £12,000)

	Turnover		Profit before tax		Net assets	
	2001	2000	**2001**	2000	**2001**	2000
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Geographical analysis						
United Kingdom - Group	**104,911**	91,189	**1,707**	2,960	**17,463**	17,381
- Joint venture	**13,529**	6,192	**554**	(629)	**168**	(217)
Continental Europe	**1,145**	1,145	**21**	6	**10**	(1)
North America	**7,099**	5,660	**914**	735	**1,305**	737
Central	—	—	**(195)**	(119)	—	—
	126,684	104,186	**3,001**	2,953	**18,946**	17,900
Interest payable	—	—	**(939)**	(787)	—	—
Total	**126,684**	104,186	**2,062**	2,166	**18,946**	17,900
- Group	**113,155**	97,994	**1,577**	2,783	**18,778**	18,117
- Joint venture	**13,529**	6,192	**485**	(617)	**168**	(217)

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.

Included in Group's agricultural activities and Group's United Kingdom activities are the following amounts relating to acquisitions: turnover £5,656,000 (2000: £nil) and loss before tax £69,000 (2000: £nil).

3 Cost of sales and other operating income and expenses

	2001 £'000	2001 £'000	2000 £'000	2000 £'000
Cost of sales		95,808		81,184
Gross profit		17,347		16,810
Net operating expenses				
Distribution costs		(6,546)		(6,267)
Administrative expenses - normal	(7,551)		(7,073)	
- exceptional (note 5)	(803)		—	
		(8,354)		(7,073)
Operating profit - continuing operations		2,447		3,470
Share of profit/(loss) in joint venture -normal		5		(197)
- exceptional (note 5)		214		(432)
Total operating profit: group and share of joint venture		2,666		2,841
Exceptional items (as above)		589		432
Total operating profit: group and share of joint venture (before exceptional items)		3,255		3,273

The total figures include the following amounts relating to acquisitions: cost of sales £4,894,000 (2000: £nil), gross profit of £762,000 (2000: £nil), net operating expenses of £831,000 (2000: £nil) and operating loss of £69,000 (2000: £nil).

4 Group operating profit

	2001 £'000	2000 £'000
Group operating profit is stated after crediting:		
Rent receivable	54	76
Amortisation of grants	56	55
Profit on disposal of tangible fixed assets	—	17
And after charging:		
Auditors' remuneration for audit (company £10,000; 2000: £9,000)	100	100
Auditors' remuneration for other services	50	47
Depreciation of tangible fixed assets held under finance leases	510	389
Depreciation of owned tangible fixed assets	1,795	1,538
Hire of plant and equipment	285	285
Hire of other assets	18	23
Amortisation of goodwill	13	17
Loss on disposal of fixed assets	51	—

5 Exceptional items

	2001		2000	
	Amount £'000	Tax (charge)/ credit £'000	Amount £'000	Tax (charge)/ credit £'000
Cost of reorganising Agricultural Division	(529)	114	—	—
Impairment of property in Agricultural Division	(274)	—	—	—
	(803)	114	—	—
Cost in joint venture of reorganising Agricultural Division	(159)	48	(432)	138
Group share of release of negative goodwill in joint venture	373	—	—	—
	214	48	(432)	138
Total exceptional operating expenses	(589)	162	(432)	138
Group share of profit on disposal of fixed assets in joint venture	335	(147)	—	—
Profit on disposal of investment in listed company	—	—	111	(35)
Total exceptional items	(254)	15	(321)	103

6 Directors' emoluments

	2001 £'000	2000 £'000
Aggregate emoluments	279	282
Sums paid to third parties for directors' services	39	39
Company contribution to money purchase scheme	2	38
	320	359

Retirement benefits are accruing to two directors (2000: two) under a defined benefit pension scheme and one (2000: one) of those directors also participates in a money purchase scheme.

	2001 £'000	2000 £'000
Highest paid director:		
Total emoluments	151	139
Company contribution to money purchase scheme	2	38
Defined benefit scheme:		
Accrued pension at end of the year	58	56
Accrued pension at start of the year	56	56

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

7 Staff costs

	2001 £'000	2000 £'000
Wages and salaries	10,323	9,982
Social security costs	963	926
Other pension costs	794	626
	12,080	11,534

The average monthly number of employees during the year was made up as follows:	2001 Number	2000 Number
Sales, office and management	291	272
Manufacture and distribution	257	276
	548	548

8 Investment income

	2001 £'000	2000 £'000
Income from fixed asset investments	—	1

9 Interest receivable

	2001 £'000	2000 £'000
Bank interest	83	21

10 Interest payable

	2001 £'000	2000 £'000
On bank overdrafts	667	518
On bank loans and other loans:		
Repayable within five years by instalments	123	188
On finance leases and hire purchase contracts	115	73
Other	48	41
	953	820

11 Taxation

		2001 £'000	2000 £'000
U.K. corporation tax at 30% (2000: 30%)	– current	581	713
	– deferred	(15)	98
Over provision in respect of prior years	– current	(586)	(96)
	– deferred	(50)	(23)
Overseas taxation		346	158
Joint venture		100	(150)
		376	700

12 Dividends

Equity:	2001 £'000	2000 £'000
Ordinary – Interim paid of 3.0p per share (2000: 3.0p)	240	240
– Final proposed of 5.0p per share (2000: 6.0p)	400	480
	640	720

13 Earnings per ordinary share

Earnings per share are calculated by reference to a weighted average of 7,996,639 shares (2000: 7,996,639) in issue during the year.

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

	2001		2000	
	Earnings £'000	**Earnings per share pence**	Earnings £'000	Earnings per share pence
Earnings per share - basic	1,675	20.9	1,398	17.5
Exceptional items:				
Disposal of investment	—	—	(111)	(1.4)
Reorganisation costs in Agriculture Division	529	6.6	—	—
Impairment of property in Agriculture Division	274	3.4	—	—
Share of reorganisation costs in joint venture	159	2.0	432	5.4
Share of profit on disposal of fixed assets in joint venture	(335)	(4.2)	—	—
Share of release of negative goodwill in joint venture	(373)	(4.6)	—	—
Taxation arising on exceptional items	(15)	(0.2)	(103)	(1.3)
Earnings per share - alternative	1,914	23.9	1,616	20.2

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.

	2001			2000		
	Earnings £'000	**Weighted average number of shares**	**Earnings per share pence**	Earnings £'000	Weighted average number of share	Earnings per share pence
Earnings per share	1,675	7,996,639	20.9	1,398	7,996,639	17.5
Effective of dilutive securities:						
Options	—	8,301	—	—	6,354	—
Diluted earnings per share	1,675	8,004,940	20.9	1,398	8,002,993	17.5

14 Intangible fixed assets

	2001 Goodwill £'000
Group	
Cost	
At 03/09/00 and 01/09/01	72
Aggregate amortisation	
At 03/09/00	29
Charge for the year	13
At 01/09/01	42
Net book amount at 01/09/01	30
Net book amount at 02/09/00	43

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

15 Tangible fixed assets

Group	Land and buildings £'000	Plant and equipment £'000	Assets in course of construction £'000	Total £'000
Cost or valuation:				
At 03/09/00	8,777	21,161	1,120	31,058
Exchange differences	5	21	—	26
Additions	378	1,286	943	2,607
Acquisitions (Note 37)	—	74	—	74
Disposals	—	(546)	—	(546)
Reclassifications	233	1,128	(1,361)	—
At 01/09/01	**9,393**	**23,124**	**702**	**33,219**
Depreciation:				
At 03/09/00	932	11,506	—	12,438
Exchange differences	1	14	—	15
Charge for the year	354	1,951	—	2,305
Disposals	—	(404)	—	(404)
Reclassifications	178	(178)	—	—
At 01/09/01	**1,465**	**12,889**	**—**	**14,354**
Net book value:				
At 01/09/01	**7,928**	**10,235**	**702**	**18,865**
At 02/09/00	7,845	9,655	1,120	18,620
Cost or valuation at 01/09/01 is represented by:				
Valuation in 1995	3,458	—	—	3,458
Valuation in 1998	498	—	—	498
Cost	5,437	23,124	702	29,263
	9,393	**23,124**	**702**	**33,219**

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

	2001 £'000	2000 £'000
Cost	**8,106**	7,490
Aggregate depreciation based on cost	**(2,176)**	(1,738)
Net book amount	**5,930**	5,752
The net book value of land and buildings comprises:		
Freehold	**6,867**	6,752
Long leasehold	**1,018**	1,041
Short leasehold	**43**	52
	7,928	7,845

The net book value of plant and equipment includes £1,864,976 (2000: £1,024,050) in respect of assets held under finance leases. The net book value of assets in course of construction includes £nil (2000: £750,690) in respect of assets held under finance leases.

16 Investments

Group	Joint venture £'000	Other investments £'000	Loan to joint venture £'000	Other loans £'000	Total £'000
Cost:					
At 03/09/00	(217)	31	550	27	391
Repayment	—	—	(550)	—	(550)
Share of retained profit	385	—	—	—	385
At 01/09/01	**168**	**31**	**—**	**27**	**226**
Amounts written off:					
At 03/09/00	—	9	—	27	36
Written off in the year	—	9	—	—	9
At 01/09/01	**—**	**18**	**—**	**27**	**45**
Net book value:					
At 01/09/01	**168**	**13**	**—**	**—**	**181**
At 02/09/00	(217)	22	550	—	355

Holding company	Joint venture £'000	Shares in subsidiaries £'000	Loan to joint venture £'000	Other investments £'000	Total £'000
Cost:					
At 03/09/00	250	12,635	550	15	13,450
Repayment	—	—	(550)	—	(550)
At 01/09/01	**250**	**12,635**	**—**	**15**	**12,900**
Amounts written off:					
At 03/09/00	—	4,059	—	—	4,059
Provision in the year	—	455	—	9	464
At 01/09/01	**—**	**4,514**	**—**	**9**	**4,523**
Net book value:					
At 01/09/01	**250**	**8,121**	**—**	**6**	**8,377**
At 02/09/00	250	8,576	550	15	9,391

	Proportion of Shares Held			
Name	Ordinary %	Preference %	Country of Incorporation	Activity
Subsidiaries:				
Carrs Agriculture Ltd.	100	—	England	Agricultural retailers and fertiliser blenders
Angus Fertilizers Ltd.	50	—	Scotland	Blending and distribution of fertilisers
Carrs Farms Ltd.	100	100	England	Agricultural retailers and fertiliser blenders
Central Farmers (2000) Ltd.	100	—	Scotland	Agricultural retailers
Animal Feed Supplement Inc.	100	—	USA	Manufacture of animal feed blocks
Carr's Flour Mills Ltd.	100	100	England	Flour milling
George Shackleton & Sons Ltd.	100	—	Eire	Suppliers of flour and food ingredients
Carrs Engineering Ltd.	100	100	England	Engineering
Bowie and Aram Ltd.	100	—	Scotland	Travel agents
Robertsons (Bakers) Ltd.	100	83	England	Property holding
B.R.B. Trust Ltd.	100	100	England	Financial services
Carrs Properties Ltd.	100	—	England	Property holding
North Country Eggs Ltd.	100	—	England	Property holding
Joint Venture:				
Carrs Billington Agriculture Ltd.	50	—	England	Manufacture of animal feed and agricultural retailers

16 Investments (continued)

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

Dormant subsidiaries are not shown above.

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

Joint venture

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

	2001 £'000	2000 £'000
Turnover	**13,529**	6,192
Profit/(loss) before tax	**485**	(617)
Taxation	**(100)**	150
Profit/(loss) after tax	**385**	(467)
Fixed assets	**787**	1,093
Current assets	**2,938**	3,286
Liabilities	**(3,557)**	(4,596)

17 Assets held for resale

At 2 September 2000 assets held for resale included a property which was sold during the year.

18 Stocks

Group	**2001 £'000**	2000 £'000
Raw material and consumables	**2,889**	4,337
Work in progress	**784**	374
Finished goods and goods for resale	**4,463**	3,184
	8,136	7,895

19 Debtors

	Group		Holding Company	
	2001	2000	**2001**	2000
	£'000	£'000	**£'000**	£'000
Amounts receivable within one year:				
Trade debtors	**13,154**	13,597	**—**	—
Amounts recoverable on contracts	**329**	67	**—**	—
Amounts owed by Group undertakings	**—**	—	**8,757**	11,468
Dividends due from Group undertakings	**—**	—	**314**	1,590
Amounts owed by joint venture	**307**	73	**—**	—
Other debtors	**684**	535	**131**	150
Prepayments and accrued income	**217**	265	**20**	45
	14,691	14,537	**9,222**	13,253
Amounts receivable after more than one year:				
Other debtors	**6**	12	**—**	—
	14,697	14,549	**9,222**	13,253

20 Creditors

	Group		Holding Company	
	2001	2000	**2001**	2000
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year:				
Bank loans and overdrafts	**4,864**	4,929	**743**	4,491
7.5% unsecured loan stock 2001/05	**40**	10	**40**	10
Payments on account	**322**	561	**—**	—
Trade creditors	**9,805**	9,513	**—**	—
Amounts owed to Group undertakings	**—**	—	**3,002**	2,969
Amounts owed to joint venture	**207**	388	**—**	—
Dividends payable	**400**	480	**400**	480
Corporation tax	**636**	851	**—**	—
Other taxes and social security payable	**970**	930	**—**	37
Other creditors	**207**	258	**27**	39
Finance leases	**541**	483	**—**	—
Accruals	**2,805**	1,330	**257**	244
Deferred consideration	**20**	38	**20**	26
	20,817	19,771	**4,489**	8,296

21 Creditors

	Group		Holding Company	
	2001	2000	**2001**	2000
	£'000	£'000	**£'000**	£'000
Amounts falling due after more than one year:				
7.5% Unsecured loan stock 2001/05	**—**	40	**—**	40
Bank loans	**251**	1,041	**186**	928
Other creditors	**5**	42	**4**	24
Finance leases	**1,087**	1,034	**—**	—
	1,343	2,157	**190**	992

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

22 Derivatives and other financial instruments

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

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

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

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

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

Short-term debtors and creditors

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

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group borrows in the desired currencies at fixed and floating rates of interest and then uses interest rate collars and swaps to manage the Group's exposure to interest rate fluctuations. At the year end £5.475 million (2000: £5.566m) of the Group's borrowings were at a fixed rate of interest. £4 million (2000: £4m) of debt facility is covered by an interest rate collar at interest rates between 6% (2000: 6%) and 8% (2000: 8%).

Liquidity rate risk

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

Foreign currency risk

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

Interest rate risk profile of financial liabilities

The interest rate risk profile of the Group's financial liabilities at 1 September 2001, after taking account of the interest rate and currency swaps used to manage the interest and currency profile was:

	2001				2000			
Currency	**Total £'000**	**Floating rate financial liabilities £'000**	**Fixed rate financial liabilities £'000**	**Financial liabilities on which no interest is paid £'000**	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities on which no interest is paid £'000
Sterling	5,734	—	5,475	259	5,608	—	5,566	42
US Dollar	1,308	1,308	—	—	1,637	1,637	—	—
	7,042	1,308	5,475	259	7,245	1,637	5,566	42

22 Derivatives and other financial instruments (continued)

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

The effect of the Group's interest rate swap is to classify £4 million (2000: £4m) of Sterling borrowings in the above table as fixed rate.

In addition to the above, at 1 September 2001 the Group had nil borrowings (2000: £0.3m) which were covered by a £4 million collar at 6% floor/8% cap. The collar is applicable on the Group's bank borrowings in the range of £4 million to £8 million i.e. on £4 million additional borrowings in excess of the balance covered by the interest rate swap. The £4 million collar commenced in August 1997 and operates for five years.

At 1 September 2001:

	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	
	2001	2000	**2001**	2000	**2001**	2000
Currency						
Sterling	**6.9%**	6.9%	**1.41 years**	2.21 years	**0.52 years**	1.74 years

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

Interest rate risk profile of financial assets

Currency	**2001 Cash at bank and in hand £'000**	2000 Cash at bank and in hand £'000
Sterling	1,128	49
Irish punts	179	91
	1,307	140
Floating rate	1,128	49
Non interest bearing	179	91
	1,307	140

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

Currency exposures

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

	Net foreign currency monetary assets/(liabilities)					
	2001			2000		
	Sterling	**EU Currencies**	**Total**	Sterling	EU Currencies	Total
Functional currency of Group operations:	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Sterling	—	143	143	—	144	144
EU currencies (excluding Sterling)	(244)	—	(244)	(260)	—	(260)
	(244)	143	(101)	(260)	144	(116)

22 Derivatives and other financial instruments (continued)

Maturity of financial liabilities

The maturity profile of the carrying amount of the Group's financial liabilities, other than the short-term creditors such as trade creditors and accruals, at 1 September 2001 was as follows:

	Debt £'000	Finance leases £'000	Other financial liabilities £'000	**2001 Total £'000**	Debt £'000	Finance leases £'000	Other financial liabilities £'000	2000 Total £'000
Within one year or on demand	4,904	541	254	**5,699**	4,939	483	—	5,422
Between one and two years	240	405	5	**650**	808	366	32	1,206
Between two and five years	11	562	—	**573**	273	425	10	708
Over five years	—	120	—	**120**	—	243	—	243
	5,155	1,628	259	**7,042**	6,020	1,517	42	7,579

Borrowing facilities

The Group had various undrawn committed facilities. The facilities available at 1 September 2001, which include £4 million (2000: £3.667m) which would be covered by the interest rate collar arrangement referred to above, and in respect of which all conditions precedent had been met were as follows:

	2001 Floating rate £'000	2000 Floating rate £'000
Expiring in one year or less	**10,121**	6,711

The facilities expiring within one year are annual facilities subject to review at various dates during December 2001/ January 2002.

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 1 September 2001. 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.

	2001 Book value £'000	**2001 Fair value £'000**	2000 Book value £'000	2000 Fair value £'000
Primary financial instruments held or issued to finance the Group's operations				
Short-term financial liabilities and current portion of long-term borrowings	**(5,699)**	**(5,699)**	(5,422)	(5,422)
Long-term borrowings excluding current portion	**(1,343)**	**(1,343)**	(2,157)	(2,157)
Cash at bank and in hand	**1,307**	**1,307**	140	140
Derivative financial instruments held to manage the interest rate and currency profile				
Interest rate swaps	**—**	**(119)**	—	(39)
Interest rate collar	**—**	**(61)**	—	(9)
Forward foreign currency contracts	**—**	**(37)**	—	34

22 Derivatives and other financial instruments (continued)

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

Gains and losses on hedges

The Group enters into forward foreign currency contracts to eliminate the currency exposures that arise on purchases denominated in foreign currencies immediately those purchases are transacted. It also uses interest rate swaps to manage its interest rate profile. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures. An analysis of these unrecognised gains and losses has not been provided as the balances were under £50,000. This was also the case for the year ended 2 September 2000.

23 Provisions for liabilities and charges

Group	Closure costs £'000	Deferred tax £'000	Legal costs £'000	Total £'000
At 03/09/00	—	1,472	62	1,534
Released in the year	—	—	(62)	(62)
Charged/(credited) to the profit and loss account	480	(76)	—	404
At 01/09/01	**480**	1,396	—	1,876

In August 2001 the company announced its intention to cease blending of fertiliser at the plant at Glasgow. The provision relates to breaking operating leases, redundancy and other related costs of closure. These costs are expected to be paid within the next 12 months.

The overprovision for legal costs released in the year relates to expected costs to defend an alleged trademark infringement which was not required.

Holding Company	Deferred tax £'000
At 03/09/00	31
Transfer from profit and loss account	(31)
At 01/09/01	—

Deferred taxation

Deferred taxation provided in the accounts is as follows:

	Amount provided		**Amount unprovided**	
	2001 £'000	2000 £'000	**2001 £'000**	2000 £'000
Accelerated capital allowances	**1,419**	1,481	—	—
Short term timing differences	**(23)**	(9)	—	—
	1,396	1,472	—	—

There would be an additional taxation liability of £54,000 (2000: £54,000) if all land and buildings were disposed of at their revalued amounts.

24 Deferred income

Group	Grants 2001 £'000
At 03/09/00	290
Amortisation in the year	(56)
At 01/09/01	234

25 Called-up share capital

	Group and Company **2001 £'000**	2000 £'000
Authorised:		
10,500,000 ordinary shares of 25p each (2000: 10,500,000)	**2,625**	2,625
Allotted and fully paid:		
7,996,639 ordinary shares of 25p each (2000: 7,996,639)	**1,999**	1,999

Option schemes

	Outstanding share options **2001**	2000	Exercise Price Range	Dates of Grant
Executive scheme	**116,340**	136,030	81.5p - 214p	1992-1994
Executive scheme 1996	**40,000**	60,000	312.5p	1996
Executive plan 1996	**64,600**	74,200	261.5p - 310.5p	1996-1997
Employee share option scheme	—	6,114	157p	1994

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

26 Reserves

Group	Share Premium Account £'000	Revaluation Reserve £'000	Profit and loss account £'000	Total £'000
At 03/09/00	4,698	2,093	8,782	15,573
Exchange adjustments	—	—	—	—
Transfer from revaluation reserve to profit and loss account	—	(95)	95	—
Retained profit for the year	—	—	1,035	1,035
At 01/09/01	**4,698**	**1,998**	**9,912**	**16,608**
Holding Company				
At 03/09/00	4,698	—	6,628	11,326
Retained profit for the year	—	—	1,569	1,569
At 01/09/01	**4,698**	—	**8,197**	**12,895**

Cumulative goodwill relating to acquisitions made prior to 30 August 1998, which has been eliminated against reserves, amounts to £5,086,000 (2000: £5,086,000).

27 Reconciliation of movements in equity shareholders' funds

	2001 £'000	2000 £'000
Profit for the financial year	1,675	1,398
Dividends	(640)	(720)
Retained profit for the financial year	1,035	678
Exchange differences	—	101
Net increase in equity shareholders' funds	1,035	779
Opening equity shareholders' funds	17,572	16,793
Closing equity shareholders' funds	18,607	17,572

28 Cash flow from operating activities

Continuing operations	2001 £'000	2000 £'000
Group operating profit	2,447	3,470
Depreciation charge	2,305	1,927
Loss/(profit) on disposal of fixed assets	51	(17)
Goodwill amortisation	13	17
Grants amortisation	(56)	(55)
Decrease/(increase) in stocks	62	(172)
Decrease in debtors	621	1,568
Increase in creditors	817	434
Increase/(decrease) in provisions	489	(188)
Net cash inflow from continuing operating activities	6,749	6,984

29 Analysis of net debt

	At 3 September 2000 £'000	Cash flow £'000	Other non cash changes £'000	Exchange movements £'000	At 1 September 2001 £'000
Cash at bank and in hand	140	1,167	—	—	1,307
Bank overdrafts	(4,131)	76	—	(11)	(4,066)
	(3,991)	1,243	—	(11)	(2,759)
Loans: amounts falling due within one year	(808)	800	(830)	—	(838)
Loans: amounts falling due after more than one year	(1,081)	—	830	—	(251)
Finance leases	(1,517)	612	(723)	—	(1,628)
	(7,397)	2,655	(723)	(11)	(5,476)

30 Cash outflow relating to exceptional items

In 2001 operating cash flow includes under continuing operations an outflow of £49,000 which relates to exceptional costs of reorganising the Agricultural activities, (note 5).

In 2000 operating cash flow includes under continuing operations an outflow of £188,000 which relates to a provision created in 1999 for legal costs.

notes to the financial statements
continued

31 Reconciliation of net cash flow to movement in net debt

	2001 £'000	2000 £'000
Increase in cash in the year	1,243	2,264
Cash outflow from debt and lease financing	1,412	1,489
	2,655	3,753
New finance leases	(723)	(1,292)
Exchange adjustments	(11)	(76)
	1,921	2,385
Net debt at 3 September 2000	(7,397)	(9,782)
Net debt at 1 September 2001	(5,476)	(7,397)

32 Net cash outflow from financing

	2001 £'000	2000 £'000
Repayment of loans	(800)	(974)
Capital element of finance lease payments	(612)	(515)
	(1,412)	(1,489)

33 Capital commitments

	2001 £'000	2000 £'000
Capital expenditure that has been contracted for but has not been provided for in the accounts	168	38

34 Other financial commitments

At 1 September 2001 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Expiring within one year	—	43	102	4
Expiring between two and five years inclusive	22	—	263	284
Expiring after five years	9	31	—	—
	31	74	365	288

35 Contingent liabilities

The Company, together with certain subsidiary undertakings, has entered into a guarantee with Clydesdale Bank PLC in respect of the Group loans and overdraft with that bank, which at 1 September 2001 amounted to £3,590,000 (2000: nil).

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 1 September 2001 amounted to £1,503,000 (2000: £1,021,000).

The Company entered into a guarantee with Barclays Bank PLC in respect of 50% of the overdraft that the joint venture, Carrs Billington Agriculture Limited, had with this bank, which at the 1 September 2001 amounted to £1,755,000 (2000: £1,800,000).

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 1 September 2001 were £166,000 (2000: £254,000).

36 Pension commitments

The company sponsors the Carr's Milling Industries Pension Scheme 1993 and offers a defined benefit and a defined contribution 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 £78,000 (2000: £74,000). Contributions totalling £7,000 (2000: £4,000) 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 January 2001 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 5% 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 acturial valuation as at 1 January 2001 shows that the market value of assets relating to the defined benefit section of the scheme was £23,485,000 and the actuarial value of those assets represented 85% of the actuarial value of benefits that had accrued to members, after allowing for expected future increases in earnings. At 1 January 2001, the scheme showed a deficit of £3,366,000.

A net accrual of £27,000 (2000: pre-payment £100,000) 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 £572,000 (2000: £422,000) allowing for the amortisation of deficit over 12 years being the average remaining service lives of the employees. This corresponds to a rate of employer contribution of 9% or 11.5% of pensionable pay (according to membership category) until January 2001 and 16% of pensionable pay from February 2001. This contribution rate is to continue until reviewed following the triennial valuation of the scheme due as at 1 January 2004.

The following disclosures relate to the defined benefit section. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 1 January 2001 and updated on an approximate basis to 1 September 2001.

The transitional arrangements of the new accounting statement FRS17 require disclosure of assets and liabilities as at 1 September 2001 calculated in accordance with the requirements of FRS17. The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions.

Inflation	2.5% per annum
Salary increases	3.5% per annum
Rate of discount	6.0% per annum
Pension in payment increases (in excess of Guaranteed Minimum Pensions)	3.0% per annum for pensions increasing at 5.0% per annum of RPI if less subject to a minimum of 3.0% per annum
Revaluation rate for deferred pensioners	2.5% per annum for pensions revaluing at 5.0% per annum or RPI if less

On this basis the illustrative balance sheet figures are as follows:

Assets	£21,708,000
Liabilities	£24,610,000
Deficit	£2,902,000

The assets of the scheme at 1 September 2001 are split as follows:

Equities	63%
Bonds	32%
Others	5%

The expected long term rate of return over the following year is 6% for bonds and 7.5% for equities.

The deficit in the scheme above of £2.9 million would be unaffected by deferred tax. The Group's profit and loss account reserve would be decreased by the £2.9 million net pension scheme liability from its current £9.9 million year end balance to £7.0 million.

37 Acquisition of business

A subsidiary undertaking acquired Central Farmers (2000) Limited on 14 September 2000. The acquisition method of accounting has been adopted. Book values were equal to fair value.

	Book value £'000	Revaluation £'000	Fair values £'000
Tangible fixed assets	74	—	74
Stock	303	—	303
Debtors	643	—	643
Creditors	(458)	—	(458)
Overdrafts	(562)	—	(562)
Net assets acquired	—	—	—
Consideration	—	—	—

The book value of the assets and liabilities were taken from the management accounts of Central Farmers (2000) Limited at the date of acquisition. The company did not trade prior to acquisition by the Group.

38 Related party transactions

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

During the period the Group made sales to Carrs Billington Agriculture Limited of £2,447,000 (2000: £110,000) through Carrs Agriculture Limited and £446,000 (2000: £131,000) through Carrs Engineering Limited.

The Group made purchases from Carrs Billington Agriculture Limited of £7,851,000 (2000: £7,502,000) through Carrs Agriculture Limited.

At 1 September 2001, debtors included £307,000 (2000: £73,000) due from Carrs Billington Agriculture Limited.

Creditors at 1 September 2001, included £207,000 (2000: £388,000) due to Carrs Billington Agriculture Limited.

Included in investments at 1 September 2001 is a loan of £nil (2000: £550,000) due from Carrs Billington Agriculture Limited.

39 Post balance sheet event

On 3 September 2001 the Company exchanged contracts to sell 49% of its wholly-owned subsidiary, Carrs Agriculture Limited, to Billington Agriculture Holdings Limited for a consideration of £400,000 satisfied on completion in cash. Carrs Agriculture Limited changed its name to Carrs Billington Agriculture (Sales) Limited ("CBAL (Sales)"). At the same time, CBAL (Sales) acquired the trade and certain assets of Billington Agriculture Limited and the trade and net assets of AF Feeds, for a total consideration of £762,000 satisfied on completion in cash. AF Feeds is the agriculture feed and farm inputs division of Carrs Billington Agriculture Limited (the Company's former 50:50 joint venture with Billington Agriculture Holdings Limited).

The company sold 1% of its shareholding in Carrs Billington Agriculture Limited, thereby reducing its shareholding to 49%, for a cash consideration of £5,000.

Certain divisions of Carrs Agriculture Limited (fertiliser blending, Caltech animal feed blocks and the freehold properties) were transferred to two wholly owned subsidiaries of the Company prior to the sale. The freehold properties are leased to CBAL (Sales) for £207,000 per annum.

CBAL (Sales) will market and sell ruminant feed, blended fertilisers, farm machinary and other farm inputs from its 16 agricultural branches in the North of England and Scotland.

five year statement

Sales and results	1997 £'000	1998 £'000	1999 £'000	2000 £'000	**2001 £'000**
Group Turnover: Continuing operations	100,968	97,132	97,336	97,994	**113,155**
Operating profit:					
Continuing operations	3,980	748	2,377	3,470	**2,447**
Share of profit of associate - discontinued	653	492	558	—	—
Share of (loss)/profit of joint venture	—	—	(10)	(629)	**554**
(Loss)/profit on disposal of fixed assets	—	(1,826)	75	—	—
Profit on sale of investment	—	—	—	111	—
Profit on sale of associate	—	—	1,434	—	—
Other income and expenses	1	1	6	1	—
Profit/(loss) on ordinary activities before interest	4,634	(585)	4,440	2,953	**3,001**
Interest payable and similar charges	(983)	(1,258)	(1,123)	(787)	**(939)**
Profit/(loss) before taxation	3,651	(1,843)	3,317	2,166	**2,062**
Taxation (charge)/credit	(1,119)	292	(940)	(700)	**(376)**
Profit/(loss) after taxation	2,532	(1,551)	2,377	1,466	**1,686**
Minority interest	(74)	130	(14)	(68)	**(11)**
Attributable profit/(loss)	2,458	(1,421)	2,363	1,398	**1,675**
Dividends	(919)	(400)	(640)	(720)	**(640)**
Retained profit	1,539	(1,821)	1,723	678	**1,035**
Net assets employed					
Fixed assets	19,966	20,295	18,324	19,018	**19,076**
Net current assets	4,384	195	3,187	2,863	**3,323**
	24,350	20,490	21,511	21,881	**22,399**
Non-current liabilities	(4,044)	(3,263)	(2,506)	(2,157)	**(1,343)**
Provisions for liabilities and charges including deferred tax and pensions	(1,805)	(1,483)	(1,578)	(1,534)	**(1,876)**
Deferred income	(510)	(415)	(345)	(290)	**(234)**
	17,991	15,329	17,082	17,900	**18,946**
Ratios					
Operating margin (continuing operations)	3.9%	0.8%	2.4%	3.5%	**2.2%**
Return on assets employed (excluding profit/(loss) on disposal of fixed assets)	20.3%	(0.1%)	10.6%	11.5%	**10.9%**
Earnings/(loss) per share – basic	30.8p	(17.8p)	29.5p	17.5p	**20.9p**
– alternative	30.8p	5.3p	19.8p	20.2p	**23.9p**
Dividends per ordinary share	11.5p	5.0p	8.0p	9.0p	**8.0p**

notice of annual general meeting

Notice is hereby given that the Ninety Third Annual General Meeting of Carr's Milling Industries PLC will be held at the Crown Hotel, Wetheral, Carlisle on Tuesday 8 January, 2002 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 1 September 2001.
2. To declare a final dividend of 5.0p per share on the Ordinary Share Capital.
3. To re-elect as a Director RC Wood who retires by rotation.
4. To re-appoint PricewaterhouseCoopers as Auditors and to authorise the Directors to fix their remuneration.

Special Business

To consider as Special Resolutions:

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

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

(ii) the minimum price which may be paid for any ordinary share is 25 pence (excluding expenses);

(iii) the maximum price which may be paid for any ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased (excluding expenses); and

(iv) the authority hereby conferred shall expire at the conclusion of the annual general meeting of the Company to be held in 2003, if earlier, on 7 April 2003, 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.

6. That the directors of the Company be and are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (as defined in sub-section (2) of section 94 of the Companies Act 1985) pursuant to the authority conferred on them for the purposes of section 80 of the Act by the special resolution of the Company passed on 9 January 1996 as if section 89(1) of the said Act did not apply to such allotment provided that this power is limited to:

(i) the allotment of equity securities in connection with a rights issue in favour of the holders of ordinary shares in the capital of the Company where the equity securities attributable to the interests of such holders are proportionate (as nearly as may be) to the respective number of such ordinary shares held by them, subject only to such exclusions or other arrangements as the directors feel necessary or expedient to deal with fractional entitlements or legal or practicable problems arising under the laws or the requirements of any recognised regulatory body; and

(ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £99,958, and shall expire at the conclusion of the next Annual General Meeting of the Company or 15 months from the date hereof, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Stanwix
Carlisle CA3 9BA
12 November 2001

By order of the Board
Ronald C. Wood
Secretary

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

(a) details of the beneficial and non-beneficial interests of all directors in the shares of the Company and its subsidiaries, and of all transactions in those shares in the year ended 1 September 2001.

(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.

Designed and produced by PRM, Edinburgh and London
www.prm.co.uk