

Monday 9 November 2009

## **CARR'S MILLING INDUSTRIES PLC – ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS**

**“a satisfactory year, in the circumstances”**

Carr's (CRM.L), the fully-listed agriculture, food and engineering group, announces its results for the 52 weeks to 29 August 2009. It has been a satisfactory year, given the extremely difficult backdrop in fertiliser, with many of the Group's activities at or ahead of budget.

### **Financial Highlights**

- Revenue down 6% to £350.0m (2008: £372.3m)
- Pre-tax profit down 45% to £7.0m (2008: £12.9m), but up 27% on 2007's £5.5m
- Fully diluted earnings per share down 45% to 50.3p (2008: 91.2p)
- Net assets per share 340p (2008: 298p), assisted by a £2.6m net placing
- Gearing 65% (2008: 70%), despite £4.3m cash consideration for the acquisition in March 2009 of the Walischmiller Engineering business
- Dividends per share unchanged at 23.0p, including an unchanged 17.0p final

### **Commercial Highlights**

- Revenue from Agriculture was 8% lower at £255.0m (2008: £275.8m) and operating profit\* decreased by 48% to £6.0m (2008: £11.7m). Additionally, the Group's share of post-tax profit in associate and joint ventures was down 34% at £1.1m (2008: £1.6m)
- Food increased its operating profit\* by 19% to £2.3m (2008: £2.0m) on revenue 8% lower at £79.0m (2008: £85.6m)
- Engineering increased its operating profit\* by 31% to £1.4m (2008: £1.1m) on revenue up 48% at £15.9m (2008: £10.7m), benefiting from the Walischmiller acquisition

\*before retirement benefit charge but after non-recurring items and amortisation

Richard Inglewood, Chairman, stated “In the 52 weeks to 29 August 2009, the massive increase in commodity prices and the 40% uplift in the farm-gate milk price which had helped make the prior year a tremendously successful one for Carr's were absent; indeed, both trends reversed. This particularly impacted the Group's fertiliser business, the star performer in 2008, which swung into loss in 2009. Accordingly, Group pre-tax profit was substantially lower than in 2008, but it did remain comfortably ahead of that for 2007.”

With regard to prospects, Lord Inglewood said “In the current year, in the context of extremely difficult markets, the Board expects trading in the Group's principal activities to be broadly flat, other than for fertiliser, where a partial recovery is envisaged. Further out, the Board believes that Carr's is well placed, having regard in particular to the long-term demand for agricultural products, the diversity of the Group's activities and the Group's well-invested facilities.”

### **Presentation:**

Today, there will be a presentation to brokers' analysts, private client brokers and others professionally interested in CRM.L between 13.00 and 14.00 at the offices of Investec, 2 Gresham

Street, London EC2V 7QP. Those wishing to attend are asked to contact Charles Ponsonby of Bankside Consultants at [charles.ponsonby@bankside.com](mailto:charles.ponsonby@bankside.com).

**Enquiries:**

Carr's Milling Industries plc  
Chris Holmes (Chief Executive Officer)  
Ron Wood (Finance Director)

01228-554 600

Bankside Consultants Limited  
Charles Ponsonby

020-7367 8851/07789-202 312

## **CHAIRMAN'S STATEMENT**

In the 52 weeks to 29 August 2009, the massive increase in commodity prices and the 40% uplift in the farm-gate milk price which had helped make the prior year a tremendously successful one for Carr's were absent; indeed, both trends reversed. This particularly impacted the Group's fertiliser business, the star performer in 2008, which swung into loss in 2009. Accordingly, Group pre-tax profit was substantially lower than in 2008, but it did remain comfortably ahead of that for 2007.

### **FINANCIAL REVIEW**

In the year under review, revenue decreased by 6% to £350.0m (2008: £372.3m), pre-tax profit reduced by 45% to £7.0m (2008: £12.9m), and fully diluted earnings per share were 45% lower at 50.3p (2008: 91.2p). The great majority of the reduction in Group revenue and all the reduction in Group profit was attributable to fertiliser, which in 2008 had contributed £4.1m of pre-tax profit estimated to be of an exceptional trading nature, due to the massive increase in raw material prices.

Assisted by a placing of ordinary shares to raise £2.6m (net) in September 2008, total shareholders' equity increased by 20% to £29.9m (2008: £25.0m), or 340p (2008: 298p) per share.

Although net debt increased to £19.3m (2008: £17.4m), following payment of the £4.3m consideration for the acquisition of the Walischmiller Engineering business, gearing reduced to 65% (2008: 70%). Net interest expense of £1.3m (2008: £1.6m) was covered 5.6 times (2008: 8.0 times) by Group operating profit of £7.3m (2008: £12.9m).

The result is stated after a retirement benefit charge of £1.6m (2008: £1.1m). Equity shareholders' funds are stated after a retirement benefit obligation of £14.7m (2008: £16.6m), gross of tax, and £10.6m (2008: £11.9m), net of tax benefit. The reduction in retirement benefit obligation, computed in accordance with IAS 19, is due to contributions towards the past service deficit by the Company, better investment returns and lower inflation.

## **DIVIDENDS**

The Board is proposing an unchanged final dividend per share of 17.0p. If approved by shareholders at the Annual General Meeting on 5 January 2010, the dividend will be paid on 17 January 2010 to shareholders on the register at the close of business on 16 December 2009, with the shares going ex-dividend on 18 December 2009.

Together with the unchanged interim dividend per share of 6.0p, paid on 8 May 2009, the proposed dividends per share for the year total an unchanged 23.0p, covered 2.2 times (2008: 4.0 times) by basic earnings per share.

## **BUSINESS REVIEW**

### **Agriculture**

In the year, the market place experienced significant volatility in raw material prices and declines in both the farm-gate milk price (from 26.3p to 23.3p per litre) and milk output. The massive price increases for fertiliser raw materials in the prior year reversed and selling prices were frequently adjusted downwards. Divisional revenue was 8% lower at £255.0m (2008: £275.8m) and operating profit (before retirement benefit charge but after non-recurring items and amortisation) decreased by 48% to £6.0m (2008: £11.7m). Additionally, the Group's share of post-tax profit in associate and joint ventures was down 34% at £1.1m (2008: £1.6m).

### ***United Kingdom***

Compound and blended animal feed volumes and profit were appreciably lower. This resulted from increased alternative usage of cheaper home-grown cereals sourced from the prolific 2008 harvest, especially in the important January-April period, from the continuing reduction in cattle numbers and from the continuing compound animal feed production overcapacity in the north west of England and indeed the UK.

Caltech, the low moisture feed block business, increased its profits, despite the higher price of the principal raw material, molasses. Two new products were introduced during the year – *Optimum*, for dairy cattle, in September 2008 and, through market demand, a *Smallholder* block in August 2009, both with pleasing results.

The fertiliser result was significantly affected by the very substantial decline in both selling price (which had peaked in April 2008 and declined significantly from January 2009) and volumes (down 30% on the prior year). Fertiliser sales suffered from farmers deferring orders in anticipation of lower selling prices. A considerable part of the deterioration from profit to loss was due to sales of inventories at below historic cost, following a significant decrease in raw material prices from January this year. Despite the adverse market conditions, sales volumes of environmentally friendly speciality fertilisers substantially increased and the unique phosphate fertiliser enhancer, *AVAZL*, to which Carr's has secured exclusive UK rights, was successfully launched in July 2009. It is thought to have considerable potential.

The retailing of rural supplies from a network of 15 stores in the north of England and in Scotland and of agricultural machinery and ground care equipment from six of these stores increased both revenue and profit. Whilst rural supplies is the higher margin activity, agricultural machinery and ground care equipment had a particularly good year.

The fuel oil business, trading as Johnstone Wallace Fuels in south west Scotland and Wallace Oils in Cumbria, benefited from the cold winter and increased both its market share and its profit. This business, formed primarily by acquisitions in 2005 and 2007 respectively, is now making a useful contribution to the Group result.

### ***Overseas***

In the USA, Animal Feed Supplement suffered a near 30% volume decline in sales of its *Smartlic* and *Feed in a Drum* feed blocks, as a result of the impact of low beef prices caused by the recession, record high ingredient prices and, as a consequence, lower livestock numbers. Year on year, the profit was higher due to cost reductions and the translation of US\$ profit at £1:\$1.50 (2008: £1:\$1.99).

In Germany, Crystalyx Products, the joint venture with Agravis to manufacture feed blocks, also suffered volume declines as a result of the very low German farm-gate milk price and the strong Euro, which acted as a hindrance to exports.

### **Food**

Operating profit (before retirement benefit charge but after non-recurring items and amortisation) of £2.3m (2008: £2.0m), up 19%, was achieved on revenue 8% lower at £79.0m (2008: £85.6m). The decline in revenue reflected the lower price of the principal raw material, milling wheat, which was passed on to the customer. The operating margin, though improved, remained modest, at 3.0% (2008: 2.3%).

In the year, all three of the Group's flour mills - at Kirkcaldy (Fife), Silloth (Cumbria) and Maldon (Essex) - made volume gains through product innovation and increased their profit through cost reduction.

The three flour mills aim to provide the highest levels of product and service quality. The business has a good record of providing innovative solutions to customers' technical challenges and has recently gained new sales in the breakfast cereals sector through this approach.

## Engineering

Operating profit (before retirement benefit charge but after non-recurring items and amortisation) increased by 31% to £1.4m (2008: £1.1m) on revenue up 48% at £15.9m (2008: £10.7m). On a like-for-like basis, excluding Walischmiller Engineering, the revenue increase would have been 1%, to £10.8m.

Bendall's, the Group's specialist steel fabrication business, benefited from completion of substantial contracts for pressure vessels for delivery both in the UK and overseas, but continued to suffer delays by contractors, due to funding issues and design changes, on certain other contracts.

Carrs MSM, the manufacturer of master slave manipulators for research centres and nuclear plants, traded well, albeit recording a slightly reduced profit after a slow start to the year. Walischmiller Engineering, the remote handling technology, robotics and radiation equipment business based in southern Germany, which was acquired in March 2009, contributed substantially to divisional revenue and profit, despite being in the Group for only the second half of the year. Carrs MSM and Walischmiller Engineering have complementary businesses, supplying well designed and engineered manipulators to research and nuclear facilities in various European countries, as well as Russia, Japan and China.

## RISKS AND UNCERTAINTIES

The Board has identified six vulnerabilities specific to the Group's activities, whose converse gives rise to potential upside:

- A decline in the size and prosperity of the dairy farming industry in north west England and south west Scotland, in particular through a reduction in the farm-gate milk price.
- A decline in the size and prosperity of other parts of the farming industry, in particular the beef and sheep farming industry, in northern England and Scotland.
- A decline in the size and prosperity of the beef farming industry in the USA.
- For fertiliser, a sharp decline in the Sterling price of raw materials, leading to inventory devaluation and sale deferral, and unsettled markets.
- For flour, market turbulence, in the face of overcapacity and the impact of the recession on consumers of bread, biscuits and confectionery, and a sharp increase in the milling wheat price.
- For Engineering, funding problems for large capital projects and a recession driven-increase in contract deferral and variation.

## OUTLOOK

The Agriculture Division will have to contend with the long-term declining trend in the number of UK milk producers, but it is anticipated that farm-gate milk prices, which have fallen in the past year, will stabilise and therefore stimulate demand for agricultural products and in particular the Group's branded feed products, *Crystalyx* and *Aminomax*. With fertiliser raw material prices stabilising and now much reduced from the peak in April 2008 and with the lower sales in 2009,

it is also anticipated that demand for fertiliser will improve, with a more favourable outlook on margins.

The Food Division is expected to continue to suffer from market turbulence in the face of overcapacity and the impact of the recession on consumers of bread and biscuits, in particular.

In the Engineering Division, the shortage of funding available to customers has delayed the placing of orders and, while the businesses have satisfactory order books, there will be gaps in the production programme in the first half of the year. The enquiry level remains buoyant across the nuclear, oil and gas sectors, which bodes well for the future.

In the current year, in the context of extremely difficult markets, the Board expects trading in the Group's principal activities to be broadly flat, other than for fertiliser, where a partial recovery is envisaged. Further out, the Board believes that Carr's is well placed, having regard in particular to the long-term demand for agricultural products, the diversity of the Group's activities and the Group's well-invested facilities.

**Richard Inglewood**  
**Chairman**

**9 November 2009**

**UNAUDITED CONSOLIDATED INCOME STATEMENT**  
for the period ended 29 August 2009

	Notes	<b>Unaudited 52 week period 2009 £'000</b>	Audited 52 week period 2008 £'000
<b>Revenue</b>	2	<b>350,023</b>	372,307
Cost of sales		<b>(309,016)</b>	(327,757)
<b>Gross profit</b>		<b>41,007</b>	44,550
<b>Net operating expenses</b>		<b>(33,712)</b>	(31,675)
<b>Group operating profit</b>		<b>7,295</b>	12,875
Analysed as:			
Operating profit before non-recurring items and amortisation		<b>7,295</b>	12,814
Non-recurring items and amortisation	3	-	61
<b>Group operating profit</b>		<b>7,295</b>	12,875
Interest income		<b>211</b>	454
Interest expense		<b>(1,522)</b>	(2,061)
Share of post-tax profit in associate and joint ventures		<b>1,051</b>	1,590
<b>Profit before taxation</b>	2	<b>7,035</b>	12,858
Taxation	4	<b>(1,829)</b>	(4,605)
<b>Profit for the period</b>		<b>5,206</b>	8,253
Profit attributable to minority interests		<b>785</b>	552
Profit attributable to equity shareholders		<b>4,421</b>	7,701
		<b>5,206</b>	8,253
<b>Earnings per share</b>			
Basic	5	<b>50.4p</b>	92.7p
Diluted		<b>50.3p</b>	91.2p
<b>Adjusted earnings per share</b>			
Basic	5	<b>50.4p</b>	108.6p

**UNAUDITED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE  
for the period ended 29 August 2009**

	Note	<b>Unaudited 52 week period 2009 £'000</b>	Audited 52 week period 2008 £'000
Foreign exchange translation differences arising on translation of overseas subsidiaries		<b>276</b>	583
Actuarial gains/(losses) on retirement benefit obligation:			
-Group		<b>951</b>	(11,065)
-Share of associate		<b>(1,386)</b>	(1,193)
Taxation (charge)/credit on actuarial movement on retirement benefit obligation:			
-Group		<b>(266)</b>	3,116
-Share of associate		<b>388</b>	334
<b>Net expense recognised directly in equity</b>		<b>(37)</b>	(8,225)
Profit for the period		<b>5,206</b>	8,253
<b>Total recognised income and expense for the period</b>	9	<b>5,169</b>	28
Attributable to minority interests	9	<b>782</b>	545
Attributable to equity shareholders	9	<b>4,387</b>	(517)
		<b>5,169</b>	28

**UNAUDITED CONSOLIDATED BALANCE SHEET**  
**at 29 August 2009**

	Note	Unaudited 2009 £'000	Audited 2008 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill		1,654	1,381
Other intangible assets		764	294
Property, plant and equipment		31,764	28,596
Investment property		718	737
Investment in associate		2,735	2,870
Interest in joint ventures		1,840	1,609
Other investments		51	51
Financial assets			
- Non-current receivables		53	50
Deferred tax assets		5,015	5,318
		<b>44,594</b>	<b>40,906</b>
<b>Current assets</b>			
Inventories		23,860	31,014
Trade and other receivables		43,059	50,754
Current tax assets		119	65
Financial assets			
- Derivative financial instruments		16	927
- Cash at bank and in hand		10,304	3,896
		<b>77,358</b>	<b>86,656</b>
<b>Total assets</b>		<b>121,952</b>	<b>127,562</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities			
- Borrowings		(10,226)	(15,004)
- Derivative financial instruments		(43)	(22)
Trade and other payables		(35,928)	(52,977)
Current tax liabilities		(708)	(2,054)
		<b>(46,905)</b>	<b>(70,057)</b>
<b>Non-current liabilities</b>			
Financial liabilities			
- Borrowings		(19,403)	(6,325)
- Derivative financial instruments		-	(14)
Retirement benefit obligation		(14,673)	(16,558)
Deferred tax liabilities		(4,840)	(4,775)
Other non-current liabilities		(2,834)	(2,237)
		<b>(41,750)</b>	<b>(29,909)</b>
<b>Total liabilities</b>		<b>(88,655)</b>	<b>(99,966)</b>
<b>Net assets</b>		<b>33,297</b>	<b>27,596</b>

**UNAUDITED CONSOLIDATED BALANCE SHEET  
at 29 August 2009 (continued)**

	Note	<b>Unaudited 2009 £'000</b>	Audited 2008 £'000
<b>Shareholders' equity</b>			
Ordinary shares		<b>2,196</b>	2,094
Share premium		<b>7,738</b>	5,252
Treasury share reserve		<b>(101)</b>	(101)
Equity compensation reserve		<b>164</b>	206
Foreign exchange reserve		<b>386</b>	107
Other reserve		<b>1,508</b>	1,539
Retained earnings		<b>17,999</b>	15,880
<b>Total shareholders' equity</b>	9	<b>29,890</b>	24,977
Minority interests in equity	9	<b>3,407</b>	2,619
<b>Total equity</b>	9	<b>33,297</b>	27,596

**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT**  
for the period ended 29 August 2009

	Note	<b>Unaudited 52 week period 2009 £'000</b>	Audited 52 week period 2008 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	6	<b>9,817</b>	5,233
Interest received		<b>204</b>	447
Interest paid		<b>(1,456)</b>	(2,016)
Tax paid		<b>(2,985)</b>	(647)
Net cash generated from operating activities		<b>5,580</b>	3,017
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries (net of cash acquired)		<b>(4,258)</b>	(588)
Investment in joint ventures		-	(294)
Purchase of intangible assets		<b>(25)</b>	(4)
Proceeds from sale of property, plant and equipment		<b>282</b>	177
Purchase of property, plant and equipment		<b>(2,612)</b>	(2,141)
Receipt of non-current receivables		-	50
Net cash used in investing activities		<b>(6,613)</b>	(2,800)
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary share capital		<b>2,588</b>	209
Net proceeds from issue of new bank loans		<b>18,029</b>	1,495
Finance lease principal repayments		<b>(1,025)</b>	(912)
Repayment of borrowings		<b>(6,450)</b>	(1,010)
(Decrease)/increase in other borrowings		<b>(1,195)</b>	1,872
Disposal of interest rate swap		-	111
Dividends paid to shareholders		<b>(2,020)</b>	(1,618)
Net cash generated from financing activities		<b>9,927</b>	147
<b>Effect of exchange rate changes</b>		<b>161</b>	300
<b>Net increase in cash and cash equivalents</b>		<b>9,055</b>	664
Cash and cash equivalents at beginning of the period		<b>66</b>	(598)
Cash and cash equivalents at end of the period		<b>9,121</b>	66

## NOTES TO THE UNAUDITED PRELIMINARY STATEMENT

### 1. Basis of preparation

The Group's unaudited Preliminary Announcement for the periods ended 29 August 2009 and 30 August 2008 are not statutory accounts within the meaning of Section 435 of the Companies Act 2006. The Group's auditors, PricewaterhouseCoopers LLP, have made a report under Section 235 of the Companies Act 1985 on the Group's statutory accounts for the period ended 30 August 2008. Such report was unqualified and did not contain a statement under Sections 237 (2), (3) or (4) of the Companies Act 1985 and such accounts have been delivered to the Registrar of Companies.

The Group's accounting policies can be found in the statutory accounts for the period ended 30 August 2008.

### 2. Segmental analysis

	Revenue		Operating profit/(loss)*	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Agriculture – normal	<b>254,993</b>	275,827	<b>6,039</b>	11,752
- non-recurring and amortisation	-	-	-	(41)
Food – normal	<b>78,953</b>	85,560	<b>2,335</b>	2,012
- non-recurring and amortisation	-	-	-	(56)
Engineering – normal	<b>15,921</b>	10,722	<b>1,421</b>	1,060
- non-recurring and amortisation	-	-	-	25
Other – normal	<b>156</b>	198	<b>(895)</b>	(950)
- non-recurring and amortisation	-	-	-	133
	<b>350,023</b>	372,307	<b>8,900</b>	13,935
Retirement benefit charge			<b>(1,605)</b>	(1,060)
Interest income			<b>211</b>	454
Interest expense			<b>(1,522)</b>	(2,061)
Share of post-tax profit of associate			<b>863</b>	1,273
Share of post-tax profit of joint ventures			<b>188</b>	317
Profit before taxation			<b>7,035</b>	12,858

\*before deduction of retirement benefit charge

It is not possible to allocate the assets and liabilities of the defined benefit pension scheme across the segments. Therefore, this is shown as a reconciling item.

### 3. Non-recurring items and amortisation

	2009		2008	
	Amount £'000	Tax credit/ (charge) £'000	Amount £'000	Tax credit/ (charge) £'000
Group operating profit:				
Amortisation of intangible assets	-	-	(118)	33
Net gain on transfer of deferred pensioners from Group scheme	-	-	379	(95)
Impairment of trade investment	-	-	(200)	-
	-	-	61	(62)
Share of post-tax profit in associate and joint ventures:				
Amortisation of intangible assets and impairment of goodwill - joint ventures, net of tax	-	-	(4)	-
Non-recurring items and amortisation before taxation	-	-	57	(62)
Withdrawal of Industrial Buildings Allowances	-	-	-	(1,317)
Total non-recurring items and amortisation	-	-	57	(1,379)
Profit before taxation	<b>7,035</b>		12,858	
Non-recurring items and amortisation	-		57	
Adjusted profit before taxation	<b>7,035</b>		<b>12,801</b>	
Group operating profit	<b>7,295</b>		12,875	
Non-recurring items and amortisation	-		61	
Adjusted Group operating profit	<b>7,295</b>		<b>12,814</b>	

#### 4. Taxation

	<b>2009</b>	2008
	<b>£'000</b>	£'000
<b>(a) Analysis of the charge in the period</b>		
<b>Current tax:</b>		
UK corporation tax		
Current period	<b>980</b>	2,653
Prior period	<b>(38)</b>	(381)
Foreign tax		
Current period	<b>729</b>	479
Consortium relief		
Prior period	-	261
	<b>1,671</b>	3,012
<b>Deferred tax:</b>		
Origination and reversal of timing differences	<b>158</b>	1,593
	<b>158</b>	1,593
Tax on profit on ordinary activities	<b>1,829</b>	4,605

#### **(b) Factors affecting tax charge for the period**

The tax assessed for the period is lower (2008: higher) than the rate of corporation tax in the UK of 28% (2008: 29.17%). The differences are explained below:

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Profit before taxation	<b>7,035</b>	12,858
Tax at 28% (2008: 29.17%)	<b>1,970</b>	3,751
Effects of:		
Tax effect of share of profit in associate and joint ventures	<b>(294)</b>	(464)
Tax effect of expenses that are not allowable in determining taxable profit	<b>170</b>	185
Effects of withdrawal of Industrial Buildings Allowances	-	1,317
Effects of different tax rates of foreign subsidiaries	<b>76</b>	68
Effects of changes in tax rates	-	(90)
Over provision in prior years	<b>(57)</b>	(120)
Utilisation of unrecognised tax losses	<b>(45)</b>	(50)
Other	<b>9</b>	8
	<b>1,829</b>	4,605
Total tax charge for the period	<b>1,829</b>	4,605

## 5. Earnings per share

Basic earnings per share are based on profit attributable to shareholders and on a weighted average number of shares in issue during the period of 8,773,022 (2008: 8,304,877). The calculation of diluted earnings per share is based on 8,781,060 shares (2008: 8,442,865).

	<b>Earnings</b>	<b>2009</b>		2008
	<b>£'000</b>	<b>Earnings</b>	Earnings	Earnings
		<b>per share</b>	£'000	per share
		<b>pence</b>		pence
Earnings per share - basic	<b>4,421</b>	<b>50.4</b>	7,701	92.7
Non-recurring items and intangible asset amortisation:				
Amortisation of intangible assets	-	-	118	1.4
Net gain on transfer of deferred pensioners from Group scheme	-	-	(379)	(4.6)
Impairment of trade investment	-	-	200	2.4
Amortisation of intangible asset and impairment of goodwill - joint ventures, net of tax	-	-	4	0.1
Taxation arising on non-recurring items detailed above	-	-	62	0.7
Withdrawal of Industrial Buildings Allowances	-	-	1,317	15.9
Earnings per share - adjusted	<b>4,421</b>	<b>50.4</b>	9,023	108.6

## 6. Cash generated from operations

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Profit for the period	<b>5,206</b>	8,253
Adjustments for:		
Tax	<b>1,829</b>	4,605
Depreciation on property, plant and equipment	<b>3,411</b>	3,318
Profit on disposal of property, plant and equipment	-	(43)
Depreciation on investment property	<b>19</b>	19
Intangible asset amortisation	<b>77</b>	159
Impairment of trade investment	-	200
Net fair value losses/(gains) on derivative financial instruments	<b>889</b>	(915)
Net fair value (gains)/losses on share based payments	<b>(36)</b>	123
Net foreign exchange differences	<b>(721)</b>	363
Interest income	<b>(211)</b>	(454)
Interest expense and borrowing costs	<b>1,536</b>	2,069
Share of profit from associate and joint ventures	<b>(1,051)</b>	(1,590)
IAS19 income statement credit in respect of employer contributions	<b>(2,539)</b>	(2,517)
IAS19 income statement charge	<b>1,605</b>	1,060
Actuarial provisions in respect of deferred pension members	-	(1,325)
Payment to director in lieu of pension	-	(1,532)
Changes in working capital (excluding the effects of acquisitions):		
Decrease/(increase) in inventories	<b>10,529</b>	(15,959)
Decrease/(increase) in receivables	<b>7,809</b>	(15,140)
(Decrease)/increase in payables	<b>(18,535)</b>	24,539
Cash generated from continuing operations	<b>9,817</b>	5,233

## 7. Pensions

The Group operates its current pension arrangements on a defined benefit and defined contribution basis. The valuation of the defined benefit scheme under the IAS19 accounting basis showed a deficit net of the related deferred tax asset in the scheme at 29 August 2009 of £10.6m (30 August 2008: £11.9m).

A Group subsidiary undertaking is a participating employer in a defined benefit pension scheme of the associate. The IAS19 accounting basis showed a deficit, for that scheme, net of the related deferred tax asset in the scheme at 29 August 2009 of £3.6m (2008: £1.9m). The Group recognises in its balance sheet approximately 50% of the deficit and deferred tax asset through its investment in associate.

In the period, the retirement benefit charge in respect of the Carr's Milling Industries Pension Scheme 1993 was £1,605,000 (2008: £1,060,000).

## 8. Analysis of changes in net debt

	At 31 August 2008 £'000	Cash Flow £'000	Other Non-Cash Changes £'000	Exchange Movements £'000	At 29 August 2009 £'000
Cash and cash equivalents	3,896	6,408	-	-	<b>10,304</b>
Bank overdrafts	(3,830)	2,486	-	161	<b>(1,183)</b>
	66	8,894	-	161	<b>9,121</b>
Loans and other borrowings:					
- current	(10,421)	1,030	1,216	79	<b>(8,096)</b>
- non-current	(5,408)	(11,414)	(1,215)	(4)	<b>(18,041)</b>
Finance leases:					
- current	(753)	1,025	(1,219)	-	<b>(947)</b>
- non-current	(917)	-	(445)	-	<b>(1,362)</b>
Net debt	<b>(17,433)</b>	<b>(465)</b>	<b>(1,663)</b>	236	<b>(19,325)</b>

## 9. Statement of changes in shareholders' equity and minority interest

	Share Capital £'000	Share Premium Account £'000	Treasury Share Reserve £'000	Equity Compen- sation Reserve £'000	Foreign Ex- change Reserve £'000	Other Re- serves £'000	Retained Earnings £'000	Total Shareholders' Equity £'000	Minority Interest £'000	Total £'000
Balance at 31 August 2008	2,094	5,252	(101)	206	107	1,539	15,880	24,977	2,619	27,596
Total recognised income and expense for the period	-	-	-	-	279	-	4,108	4,387	782	5,169
Dividends paid	-	-	-	-	-	-	(2,020)	(2,020)	-	(2,020)
Equity settled share-based payment transactions, net of tax	-	-	-	(42)	-	-	-	(42)	6	(36)
Allotment of shares	102	2,486	-	-	-	-	-	2,588	-	2,588
Transfer	-	-	-	-	-	(31)	31	-	-	-
<b>Balance at 29 August 2009</b>	<b>2,196</b>	<b>7,738</b>	<b>(101)</b>	<b>164</b>	<b>386</b>	<b>1,508</b>	<b>17,999</b>	<b>29,890</b>	<b>3,407</b>	<b>33,297</b>

- 10.** The Board of Directors approved the preliminary announcement on 9 November 2009.
- 11.** The results included in the preliminary announcement are unaudited. The financial information set out in this announcement does not constitute the statutory accounts for the periods ended 29 August 2009 and 30 August 2008. The statutory accounts for the period ended 29 August 2009 will be finalised on the basis of the financial information

presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

- 12.** The Company intends to post the Report and Accounts to shareholders by 4 December 2009. Further copies will be available upon request from the Company Secretary, Carr's Milling Industries PLC, Old Croft, Stanwix, Carlisle, CA3 9BA or alternatively on the Company's website: [www.carrs-milling.com](http://www.carrs-milling.com)