

Monday 10 November 2008

**CARR'S MILLING INDUSTRIES PLC – UNAUDITED PRELIMINARY
ANNOUNCEMENT**

“A tremendously successful year”

Carr's (CRM.L), the agriculture, food and engineering group, announces unaudited results for the 52 weeks to 30 August 2008, a tremendously successful year for Carr's, with revenue up by almost 50% and pre-tax profit more than doubling.

Financial Highlights

- Revenue up 47% to £372.3m (2007: £252.8m)
- Pre-tax profit up 133% to £12.9m (2007: £5.5m)
- Pre-tax margin 3.5% (2007: 2.2%)
- Fully diluted earnings per share up 83% at 91.2p (2007: 49.9p)
- Dividends per share up 21% to 23.0p (2007: 19.0p), representing a seventh successive annual increase and a compound annual increase of 16% since 2001

Commercial Highlights

- Agriculture increased its operating profit* by 128% to £11.7m on revenue up 48% at £275.8m and also reported a share of post-tax profit in associate and JVs up 115% at £1.6m. All parts of the Division did well, in particular fertiliser, where selling prices were constantly adjusted for the massive raw material price increases throughout the year
- Food increased its operating profit* by 77% to £2.0m on revenue up 50% to £85.6m. The increase in revenue reflected an increase in wheat prices that started in late summer 2007 and continued until virtually the end of the financial year
- Engineering increased its operating profit* by 7% to £1.1m on revenue up 12% at £10.7m.

* before retirement benefit charge

Richard Inglewood, Chairman, stated:

“The excellent result for the 52 weeks to 30 August 2008 was driven by our largest Division, Agriculture. It reflects our continuing strategy of growing our core business in new areas by developing new brands and new markets, as well as the incidence of one-off favourable factors relating to the purchase of commodities at a time of substantially rising prices. We have well-invested facilities that efficiently produce the cost-effective products we manufacture and sell.”

“Overall, the Group remains well-placed for the current year, albeit without the benefit of exceptional trading conditions in its largest Division, Agriculture.”

Presentation:

At 08.30 today, there will be a presentation to broker's analysts and private client brokers at the offices of Investec, 2 Gresham Street, London EC2V 7QP.

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CHAIRMAN'S STATEMENT

The 52 weeks to 30 August 2008 stand out as a tremendously successful year for Carr's, with revenue up by almost 50% and pre-tax profit more than doubling. This performance, driven by our largest Division, Agriculture, reflects our continuing strategy of growing our core businesses in new areas by developing new brands and new markets, as well as the incidence of one-off favourable factors relating to the purchase of commodities at a time of substantially rising prices. We have well invested facilities that efficiently produce the cost-effective products we manufacture and sell.

The year was an extraordinary one for commodity prices. Many of our key raw materials in the UK - feed and milling wheat, soya and rape meal - more than doubled and fertiliser rose three to four fold. These increases reflected increased demand from China and India for agricultural products, combined with low world commodity stocks and growth in bio-fuel production, after many years of static markets.

Less dramatic than the rise in commodity prices was the 40% increase in the farm-gate milk price paid to the Group's dairy farming customers. This increase provided a substantial boost to the Group's business.

FINANCIAL REVIEW

Revenue in the 52 weeks to 30 August 2008 increased by 47% to £372.3m (2007: £252.8m). The pre-tax profit was up 133% to £12.9m (2007: £5.5m), and fully diluted earnings per share were 91.2p (2007: 49.9p), up 83%. Net finance costs of £1.6m (2007: £1.0m) were covered 8.0 times (2007: 5.8 times) by Group operating profit of £12.9m (2007: £5.8m), up 123%.

Adjusted to subtract non-recurring items and amortisation of intangible assets totalling £0.1m (2007: to add £0.6m), pre-tax profit was up 111% to £12.8m (2007: £6.1m) and fully-diluted earnings per share were up 94% at 106.9p (2007: 55.0p).

The Board estimates that in the region of £4.1m of the pre-tax profit was of an exceptional trading nature: £2.9m inventory gain, when the cost of raw materials was rising very fast; £0.7m from the early buying of fertiliser by farmers for the autumn 2008 and spring 2009 season so as to avoid anticipated price increases; and £0.5m currency appreciation on forward foreign exchange contracts.

Total shareholders' equity decreased by 7% to £25.0m (2007: £26.8m), the profit for the period of £8.3m being off-set by £8.8m of actuarial losses net of tax in the retirement benefit obligation as

a consequence of poor investment returns, increased inflation and strengthened mortality assumptions. Despite substantial increases in revenue and working capital, up £6.9m in the period, net debt increased by only £2m to £17.4m (2007: £15.4m), representing gearing of 70% (2007: 57%).

Subsequent to the year end, in September 2008, £2.5m (net) was raised in a placing of 410,000 new Ordinary Shares (4.9% of the issued share capital) at 660p per share. The object of the placing was to fund, in part, the additional working capital requirement and to widen the institutional shareholder base. Reflecting the placing, pro forma gearing at 30 August 2008 falls to 55%.

DIVIDENDS

As announced on 5 September 2008, the Board is proposing a 26% increase in the final dividend per share to 17.0p (2007: 13.5p). If approved by shareholders at the Annual Meeting on 6 January 2009, the dividend will be paid on 16 January 2009 to shareholders on the register at the close of business on 18 December 2008, with the shares going ex-dividend on 16 December 2008.

Together with the interim dividend per share of 6.0p (2007: 5.5p), up 9%, paid on 9 May 2008, the proposed dividends per share for the year total 23.0p (2007: 19.0p), up 21%, covered 4.0 times (2007: 2.7 times) by basic earnings per share and 4.7 times (2007: 2.9 times) by adjusted earnings per share. This would be the seventh successive annual increase in dividends per share and the total proposed for the year is almost three times the 8.0p paid seven years ago, in 2001 – a compound annual increase of 16%.

BUSINESS REVIEW

Agriculture

Operating profit (before retirement benefit charge) of £11.7m (2007: £5.1m), a 128% increase, was achieved on revenue up 48% at £275.8m (2007: £185.9m). Additionally, share of post-tax profit in associate and joint ventures was up 115% at £1.6m (2007: £0.7m)

United Kingdom

In the year under review, the Agriculture Division saw enormous changes. Whilst raw material prices increased hugely, farm incomes also rose dramatically, due to badly needed increases in grain and farm-gate milk prices.

This time last year, we decided to buy forward many of our key raw materials, as did many of our competitors, so we were able to protect our customers from the full impact of the animal feed price increases over the winter. However, our real focus has been on product quality, new product development and customer service in order to maximise our customers' profits, as we believe this is the key to our long-term success. The investment in the *AminoMax* plant at Langwathby, to improve farmers' milk yields, has clearly been a success, given the volumes sold.

Growth in market share of compound and blended animal feeds, with increased sales volumes, enabled better utilisation of our seven feed mills – four compound mills (at Carlisle and Langwathby in Cumbria, Lancaster in Lancashire and Stone in Staffordshire), producing pellets, and three blended feed mills (at Askrigg in North Yorkshire, Kirkbride in Cumbria and Lancaster), producing loose mixes. This resulted in increased profits through increased sales volumes and production efficiencies.

Crystalux low moisture feed blocks, produced at Silloth in Cumbria, increased volumes and revenue. The milk price increase has created a further opportunity for brand development. *Optimum*, a low moisture feed block, was successfully launched at the National Dairy Event at Stoneleigh in September 2008 and this should enable continuing growth in sales volumes and profits.

Fertiliser had an excellent year as a result of increased sales volumes of both standard and environmentally-protective fertiliser. Raw material price increases throughout the year were massive and selling prices were constantly adjusted, generating a considerable part of the profit, much of it as inventory gain. The year benefited, in the latter months, from the forward buying by our customers of fertiliser for spreading in the autumn of 2008 and the spring of 2009. Carr's three fertiliser blending plants (at Invergordon in Ross-shire, Montrose in Angus, and Silloth in Cumbria) give it a substantial market share in Scotland and the North of England.

Retail and machinery had a very good year, with retail continuing to grow in revenue and profit from its 15 branches (11 in the North of England – of which one was acquired in July 2008 - and four in Scotland). Machinery enjoyed a strong presence in its market through its Massey Ferguson dealership, and revenue in the year was ahead of the previous year and budget.

The enlarged fuel business, including a first full year for Johnstone Fuels, performed well, exceeded budget, and made a useful contribution to Group profit. We now trade as Johnstone Wallace Fuels in South West Scotland and Wallace Oils in Cumbria.

Overseas

In the USA, Animal Feed Supplements, whose plants are located in Belle Fourche, South Dakota and Poteau, Oklahoma, had an excellent year, with record sales of *Smartlic* and *Feed in a Drum* low moisture feed blocks. This resulted in record profits, when expressed in US dollars.

In Germany, *Crystalux Products*, the joint venture in conjunction with Agravis, again produced record volumes and increased exports to adjacent countries.

Food

Operating profit (before retirement benefit charge) of £2.0m (2007: £1.1m), up 77%, was achieved on revenue up 50% at £85.6m (2007: £57.0m).

Following an extremely difficult prior year for flour, the increase in operating profit, which was achieved despite a poor start to the year before a price rise took effect, was badly needed. The increase in wheat prices that started in late summer 2007 continued until virtually the end of the financial year. Sales volumes of flour increased during the year, but by a much smaller percentage than revenue. The operating margin increased to 2.3% (2007: 1.9%).

The aim of Carr's three flour mills, at Kirckaldy (Fife), Silloth (Cumbria) and Malden (Essex), to provide the highest levels of service and product quality for the bread, biscuit and ingredients market, continues. English, Continental European and North American wheat are used and there is extensive in-house research and development. The three mills have maintained their regional identity and each mill has a strong local management team. This has aided the development of close working relationships with a wide range of customers across the UK. It also means that central costs are minimised.

Engineering

Operating profit (before retirement benefit charge) increased by 7% to £1.1m (2007: £1.0m) on revenue up 12% at £10.7m (2007: £9.6m).

Bendalls, our specialist steel fabrication business, successfully completed some large contracts for the nuclear, oil and gas industries. Continual delays and design alterations frustrated the work flow on certain contracts. Bendalls enters the financial year with a strong order book across all its market sectors.

Of the smaller businesses, Carr's MSM had a steady and successful year, completing and supplying new design master slave manipulators to British Nuclear Group. R Hind traded satisfactorily in a competitive market for vehicle body building and accident repairs.

OUTLOOK

Agriculture is most unlikely to enjoy a repetition of this year's exceptionally favourable commodity prices. It will, however, be boosted by its UK dairy-farming customers benefiting from October's 1p increase in the farm-gate milk price, which was badly needed in the context of increases in input costs. US animal feed will benefit from the continuing success of that business, as well as the translation effect of the strengthening US dollar.

Food will benefit from a better start to the current year and lower milling wheat prices, but has to contend with higher energy costs.

Our Engineering business commences the year with a strong order book, with contracts for the nuclear decommissioning programme and the oil and gas sectors.

Overall, the Group remains well-placed for the current year, albeit without the benefit of exceptional trading conditions in its largest Division, Agriculture.

Richard Inglewood
Chairman

10 November 2008

UNAUDITED CONSOLIDATED INCOME STATEMENT
for the period ended 30 August 2008

	Notes	Unaudited 52 week period 2008 £'000	Audited 52 week period 2007 £'000
Revenue	2	372,307	252,753
Cost of sales		(327,757)	(218,603)
Gross profit		44,550	34,150
Net operating expenses		(31,675)	(28,365)
Group operating profit		12,875	5,785
Analysed as:			
Operating profit before non-recurring items and amortisation		12,814	6,192
Non-recurring items and amortisation	3	61	(407)
Group operating profit		12,875	5,785
Interest income		454	392
Other finance income		-	95
Interest expense		(2,026)	(1,484)
Other finance expense		(35)	-
Share of post-tax profit in associate and joint ventures		1,590	738
Profit before taxation	2	12,858	5,526
Taxation	4	(4,605)	(1,225)
Profit for the period		8,253	4,301
Profit attributable to minority interests		552	120
Profit attributable to equity shareholders		7,701	4,181
		8,253	4,301
Earnings per share			
Basic	5	92.7p	50.7p
Diluted		91.2p	49.9p
Adjusted earnings per share			
Basic	5	108.6p	56.0p

UNAUDITED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the period ended 30 August 2008

	Note	Unaudited 52 week period 2008 £'000	Audited 52 week period 2007 £'000
Foreign exchange translation differences arising on translation of overseas subsidiaries		583	(253)
Actuarial (losses)/gains on retirement benefit obligation:			
-Group		(11,065)	4,570
-Share of associate		(1,193)	1,437
Taxation credit/(charge) on actuarial movement on retirement benefit obligation:			
-Group		3,116	(1,595)
-Share of associate		334	(459)
Net (expense)/income recognised directly in equity		(8,225)	3,700
Profit for the period		8,253	4,301
Total recognised income and expense for the period	9	28	8,001
Attributable to minority interests	9	545	120
Attributable to equity shareholders	9	(517)	7,881
		28	8,001

UNAUDITED CONSOLIDATED BALANCE SHEET
at 30 August 2008

	Note	Unaudited 2008 £'000	Audited 2007 £'000
Assets			
Non-current assets			
Goodwill		1,381	1,016
Other intangible assets		294	444
Property, plant and equipment		28,596	28,481
Investment property		737	756
Investment in associate		2,870	2,456
Interest in joint ventures		1,609	935
Other investments		51	251
Financial assets			
- Derivative financial instruments		-	132
- Non-current receivables		50	100
Deferred tax assets		5,318	3,228
		40,906	37,799
Current assets			
Inventories		31,014	14,853
Trade and other receivables		50,754	35,481
Current tax assets		65	82
Financial assets			
- Derivative financial instruments		927	-
- Cash at bank and in hand		3,896	1,315
		86,656	51,731
Total assets		127,562	89,530
Liabilities			
Current liabilities			
Financial liabilities			
- Borrowings		(15,004)	(10,717)
- Derivative financial instruments		(22)	(10)
Trade and other payables		(52,977)	(28,478)
Current tax liabilities		(2,054)	(570)
		(70,057)	(39,775)
Non-current liabilities			
Financial liabilities			
- Borrowings		(6,325)	(5,971)
- Derivative financial instruments		(14)	-
Retirement benefit obligation		(16,558)	(9,807)
Deferred tax liabilities		(4,775)	(3,418)
Other non-current liabilities		(2,237)	(1,705)
		(29,909)	(20,901)
Total liabilities		(99,966)	(60,676)
Net assets		27,596	28,854

**UNAUDITED CONSOLIDATED BALANCE SHEET
at 30 August 2008(continued)**

	Note	Unaudited 2008 £'000	Audited 2007 £'000
Shareholders' equity			
Ordinary shares		2,094	2,064
Share premium		5,252	5,073
Treasury share reserve		(101)	(101)
Equity compensation reserve		206	95
Foreign exchange reserve		107	(483)
Other reserve		1,539	1,570
Retained earnings		15,880	18,574
Total shareholders' equity	9	24,977	26,792
Minority interests in equity	9	2,619	2,062
Total equity	9	27,596	28,854

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
for the period ended 30 August 2008

	Note	Unaudited 52 week period 2008 £'000	Audited 52 week period 2007 £'000
Cash flows from operating activities			
Cash generated from operations	6	5,233	6,906
Interest received		447	389
Interest paid		(2,016)	(1,407)
Tax paid		(647)	(2,053)
Net cash generated from operating activities		3,017	3,835
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)		(588)	(1,141)
Investment in joint ventures		(294)	-
Net payment of loans to joint ventures		-	(90)
Purchase of intangible assets		(4)	(11)
Proceeds from sale of property, plant and equipment		177	121
Purchase of property, plant and equipment		(2,141)	(1,896)
Proceeds from sale of investment property		-	96
Proceeds from sale of investments		-	1
Receipt of non-current receivables		50	100
Purchase of own shares held in trust		-	(101)
Net cash used in investing activities		(2,800)	(2,921)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		209	75
Net proceeds from issue of new bank loans and other borrowings		1,495	-
Finance lease principal repayments		(912)	(1,005)
Repayment of borrowings		(1,010)	(900)
Increase in other borrowings		1,872	817
Disposal of interest rate swap		111	-
Dividends paid to shareholders		(1,618)	(1,486)
Net cash generated from/(used in) financing activities		147	(2,499)
Effect of exchange rate changes		300	(97)
Net increase/(decrease) in cash and cash equivalents		664	(1,682)
Cash and cash equivalents at beginning of the period		(598)	1,084
Cash and cash equivalents at end of the period		66	(598)

NOTES TO THE UNAUDITED PRELIMINARY STATEMENT

1. Basis of preparation

The Group's unaudited Preliminary Announcement for the periods ended 30 August 2008 and 1 September 2007 are not statutory accounts within the meaning of Section 240 (5) of the Companies Act 1985. The Group's auditors, PricewaterhouseCoopers LLP, have made a report under Section 235 of the Act on the Group's statutory accounts for the period ended 1 September 2007. Such report was unqualified and did not contain a statement under Sections 237 (2), (3) or (4) of the Act 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 1 September 2007. The only significant change to the accounting policies has been the adoption of IFRS 7, which is a disclosure-only standard.

2. Segmental analysis

	Revenue		Operating profit/(loss)*	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Agriculture – normal	275,827	185,930	11,752	5,235
- non-recurring and amortisation	-	-	(41)	(90)
Food – normal	85,560	57,035	2,012	1,419
- non-recurring and amortisation	-	-	(56)	(317)
Engineering – normal	10,722	9,574	1,060	1,018
- non-recurring and amortisation	-	-	25	-
Other – normal	198	214	(950)	(313)
- non-recurring and amortisation	-	-	133	-
	372,307	252,753	13,935	6,952
Retirement benefit charge			(1,060)	(1,167)
Interest income			454	392
Other finance income			-	95
Interest expense			(2,026)	(1,484)
Other finance expense			(35)	-
Share of post-tax profit of associate			1,273	496
Share of post-tax profit of joint ventures			317	242
Profit before taxation			12,858	5,526

*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

	2008		2007	
	Amount £'000	Tax credit/ (charge) £'000	Amount £'000	Tax credit £'000
Group operating profit:				
Amortisation of intangible assets	(118)	33	(407)	114
Net gain on transfer of deferred pensioners from Group scheme	379	(95)	-	-
Impairment of trade investment	(200)	-	-	-
	<u>61</u>	<u>(62)</u>	<u>(407)</u>	<u>114</u>
Share of post-tax profit in associate and joint ventures:				
Impairment of goodwill and property, plant and equipment – associate, net of tax	-	-	(119)	-
Amortisation of intangible assets and impairment of goodwill - joint ventures, net of tax	(4)	-	(19)	-
Non-recurring items and amortisation before taxation	57	(62)	(545)	114
Withdrawal of Industrial Buildings Allowances	-	(1,317)	-	-
Total non-recurring items and amortisation	<u>57</u>	<u>(1,379)</u>	<u>(545)</u>	<u>114</u>
Profit before taxation	12,858		5,526	
Non-recurring items and amortisation	57		(545)	
Adjusted profit before taxation	<u>12,801</u>		<u>6,071</u>	
Group operating profit	12,875		5,785	
Non-recurring items and amortisation	61		(407)	
Adjusted Group operating profit	<u>12,814</u>		<u>6,192</u>	

4. Taxation

	2008 £'000	2007 £'000
(a) Analysis of the charge/(credit) in the period		
Current tax:		
UK corporation tax		
Current period	2,653	950
Prior period	(381)	(347)
Foreign tax		
Current period	479	472
Prior period	-	(14)
Consortium relief		
Prior period	261	73
	<u>3,012</u>	<u>1,134</u>
Deferred tax:		
Origination and reversal of timing differences	1,593	91
	<u>1,593</u>	<u>91</u>
Group deferred tax		
	<u>1,593</u>	<u>91</u>
Tax on profit on ordinary activities	<u>4,605</u>	<u>1,225</u>

(b) Factors affecting tax charge for the period

The tax assessed for the period is higher (2007: lower) than the rate of corporation tax in the UK of 29.17% (2007: 30%). The differences are explained below:

	2008 £'000	2007 £'000
Profit before tax	<u>12,858</u>	<u>5,526</u>
Tax at 29.17% (2007: 30%)	3,751	1,658
Effects of:		
Tax effect of share of profit in associate and joint ventures	(464)	(221)
Tax effect of expenses that are not allowable in determining taxable profit	185	256
Effects of withdrawal of Industrial Buildings Allowances	1,317	-
Effects of different tax rates of foreign subsidiaries	68	35
Effects of tax at marginal rates	-	15
Effects of changes in tax rates	(90)	(271)
Over provision in prior years	(120)	(246)
Utilisation of unrecognised tax losses	(50)	-
Other	8	(1)
	<u>4,605</u>	<u>1,225</u>
Total tax charge for the period		
	<u>4,605</u>	<u>1,225</u>

In the 2007 Budget a reduction in the corporation tax rate from 30% to 28% was announced taking effect from 1 April 2008. This reduction is reflected in the corporation tax charge for the period.

During the period the proposal that Parliament abolish Industrial Buildings Allowances was substantively enacted. The effect of this has been to increase the deferred tax charge and liability by £1,317,000 (2007: £nil).

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 8,304,877 (2007: 8,240,848). The calculation of diluted earnings per share is based on 8,442,865 shares (2007: 8,384,975).

	Earnings £'000	2008 Earnings per share pence	Earnings £'000	2007 Earnings per share pence
Earnings per share - basic	7,701	92.7	4,181	50.7
Non-recurring items and intangible asset amortisation:				
Amortisation of intangible assets	118	1.4	407	5.0
Net gain on transfer of deferred pensioners from Group scheme	(379)	(4.6)	-	-
Impairment of trade investment	200	2.4	-	-
Impairment of goodwill and property, plant and equipment - associate, net of tax	-	-	119	1.5
Amortisation of intangible asset and impairment of goodwill - joint ventures, net of tax	4	0.1	19	0.2
Taxation arising on non-recurring items detailed above	62	0.7	(114)	(1.4)
Withdrawal of Industrial Buildings Allowances	1,317	15.9	-	-
Earnings per share - adjusted	9,023	108.6	4,612	56.0

6. Cash generated from operations

	2008 £'000	2007 £'000
Profit for the period	8,253	4,301
Adjustments for:		
Tax	4,605	1,225
Depreciation on property, plant and equipment	3,318	3,507
(Profit)/loss on disposal of property, plant and equipment	(43)	18
Depreciation on investment property	19	19
Profit on disposal of investment property	-	(77)
Loss on disposal of investments	-	3
Intangible asset amortisation	159	446
Impairment of trade investment	200	-
Net fair value gains on derivative financial instruments	(915)	(17)
Net fair value loss on share based payments	123	84
Net foreign exchange differences	363	3
Interest income	(454)	(392)
Interest expense and borrowing costs	2,034	1,491
Net fair value losses/(gains) on derivative financial instruments	35	(95)
Share of profit from associate and joint ventures	(1,590)	(738)
IAS19 income statement credit in respect of employer contributions	(2,517)	(2,586)
IAS19 income statement charge	1,060	1,167
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)		
Increase in inventories	(15,959)	(2,738)
Increase in receivables	(15,140)	(321)
Increase in payables	24,539	1,606
Cash generated from continuing operations	<u>5,233</u>	<u>6,906</u>

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 30 August 2008 of £11.9m (1 September 2007: £7.1m).

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 30 August 2008 of £1.9m (2007: £1.2m). 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 £1,060,000 (2007: £1,167,000).

In the period, the Company and the Trustees of the Carr's Milling Industries Pension Scheme 1993 offered to deferred members, with more than five years to normal retirement age, enhanced transfer values. The cost to the Company was £946,000 and the actuarial provisions held by the Company were reduced by £1,325,000. The net gain of £379,000 (2007: £nil) has been credited to the income statement.

7. Pensions continued

In the period a payment of £1,531,700 was made to a director in lieu of pension with a corresponding reduction to the pension obligation.

8. Analysis of changes in net debt

Group	At 2 September 2007 £'000	Cash Flow £'000	Other Non-Cash Changes £'000	Exchange Movements £'000	At 30 August 2008 £'000
Cash and cash equivalents	1,315	2,581	-	-	3,896
Bank overdrafts	(1,913)	(2,217)	-	300	(3,830)
	(598)	364	-	300	66
Loans and other borrowings:					
- current	(8,051)	(2,109)	(261)	-	(10,421)
- non-current	(5,147)	(248)	(13)	-	(5,408)
Finance leases:					
- current	(753)	912	(912)	-	(753)
- non-current	(824)	-	(93)	-	(917)
Net debt	(15,373)	(1,081)	(1,279)	300	(17,433)

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

Group	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 2 September 2007	2,064	5,073	(101)	95	(483)	1,570	18,574	26,792	2,062	28,854
Total recognised income and expense for the period	-	-	-	-	590	-	(1,107)	(517)	545	28
Dividends paid	-	-	-	-	-	-	(1,618)	(1,618)	-	(1,618)
Equity settled share-based payment transactions, net of tax	-	-	-	111	-	-	-	111	12	123
Share options exercised by employees	29	153	-	-	-	-	-	182	-	182
Allotment of shares	1	26	-	-	-	-	-	27	-	27
Transfer	-	-	-	-	-	(31)	31	-	-	-
Balance at 30 August 2008	2,094	5,252	(101)	206	107	1,539	15,880	24,977	2,619	27,596

10. The Board of Directors approved the preliminary announcement on 10 November 2008.
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 30 August 2008 and 1 September 2007. The statutory accounts for the period ended 30 August 2008 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 2 December 2008. 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