Carr's Group plc

FOUNDATIONS FOR GROWTH

Annual Report and Accounts 2017

The Group

Carr's Group plc is focused on the principal activities of Agriculture and Engineering

Carr's Group plc is an international business operating across the Agriculture and Engineering sectors which supplies products and services to over 50 countries around the world.

The Agriculture division includes an international feed block supplement business with manufacturing locations in the USA, UK and Europe.

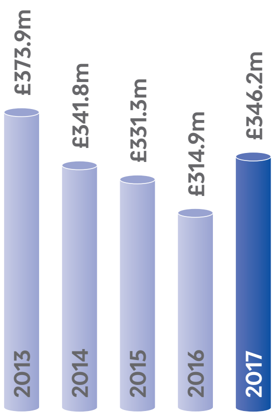
In the UK the division also sells animal feed, fertiliser, animal health products, fuel, farm machinery and rural supplies from its 43 locations.

The Engineering division designs, manufactures and supplies specialist precision parts, equipment, robotics and remote handling products from three sites in the UK, two sites in Germany and two sites in the USA. These highly specialised products and services are supplied predominately into the nuclear, defence and oil and gas markets.

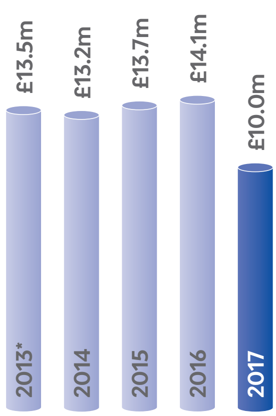
The Group is listed on the London Stock Exchange.

Financial Highlights

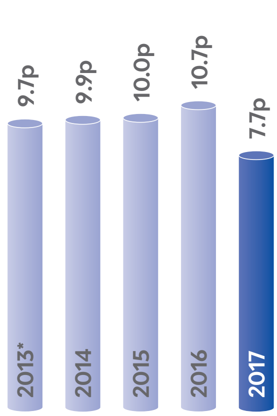
Continuing operations only



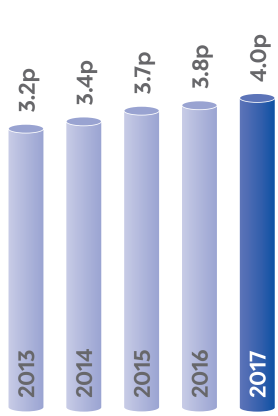
Revenue
£346.2m
9.9% up from 2016



Pre-Tax Profit
£10.0m
29.0% down from 2016



Earnings Per Share**
7.7p
28.0% down from 2016



Dividend Per Share**
4.0p
5.3% up from 2016

*Restated for IAS19 Revised
**Restated for the effect of the 10:1 share split in January 2015

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www.carrsgroup.com

The Group at a Glance

STRENGTH THROUGH DIVERSITY

Carr's is an international group focused on developing innovative solutions for its diverse global customer base. The Group's distribution network spans over 50 countries, and that geographical diversity and breadth of divisional activity lies at the centre of its strategy.

The Group continues to concentrate upon growth, both organically and through acquisition, within its core markets of Agriculture and Engineering. Its diverse geographic spread and depth of divisional coverage provides strength in an increasingly volatile global economic environment.

Agriculture

OVERVIEW AND MARKETS

Total Employees*: 627

440 187

The Agriculture division develops and supplies a range of branded innovative animal nutrition products into the livestock industries as well as servicing the UK farming and rural communities through a network of retail stores and fuel businesses.

It also develops and manufactures branded molasses-based feed supplements, in the form of high and low moisture feed blocks, which enrich the diet of all types of ruminant farm animals.

Operational Locations

The division's products are manufactured in the USA, Germany and the UK and are sold through a vast distribution network across the UK, Europe, New Zealand and North America. That network is expected to include South America in 2018 following the conclusion of farm trials.

Customer Base

Leading livestock farmers across the globe in the dairy, beef, sheep, pig and equine sectors.

*As at 2 September 2017. Figures exclude Head Office.

Engineering

OVERVIEW AND MARKETS

Total Employees*: 354

297 57

The Engineering division designs and manufactures bespoke equipment, and provides specialist technology and engineering solutions, for the nuclear, defence, oil and gas and petrochemical industries.

Its diverse range of products and services includes manipulators, robotics, patented technologies, radiation protection and decontamination, specialist fabrication and precision machining.

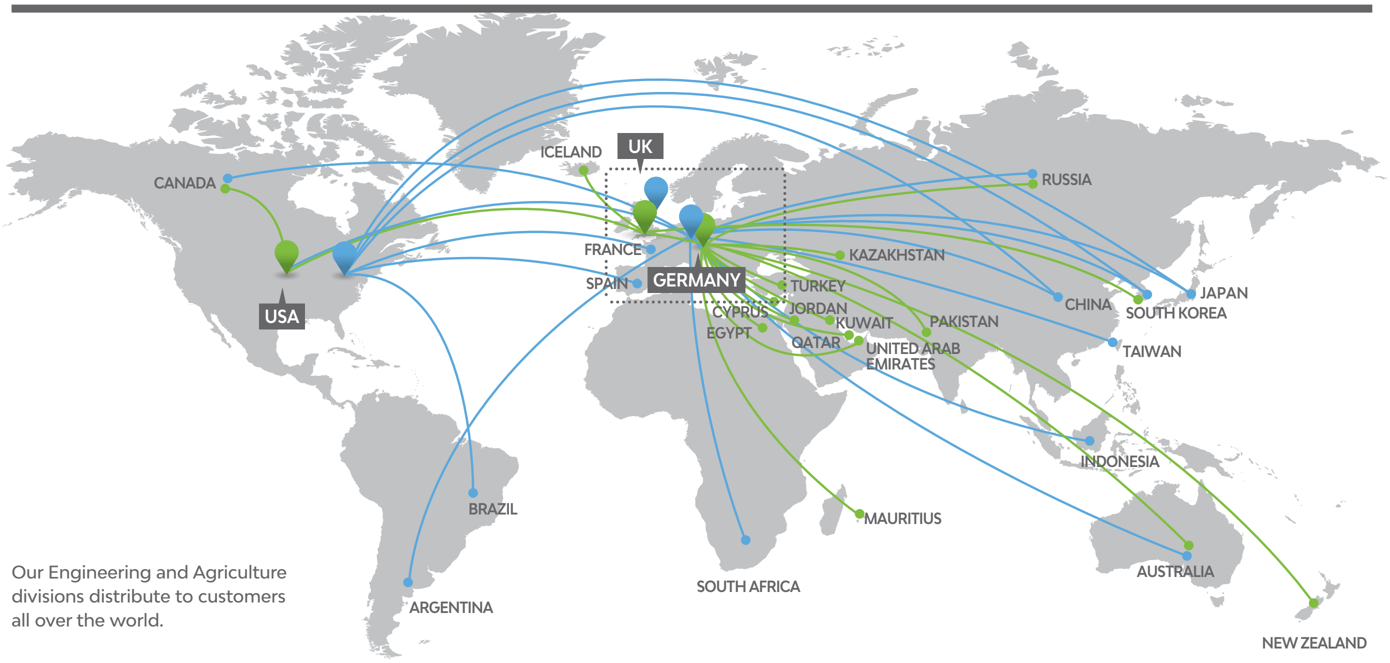
Operational Locations

The division is spread across a number of key sites in the UK, Germany, and in the USA. Products and services are supplied worldwide across Europe, North America, South America, Asia, Africa and Australasia.

Customer Base

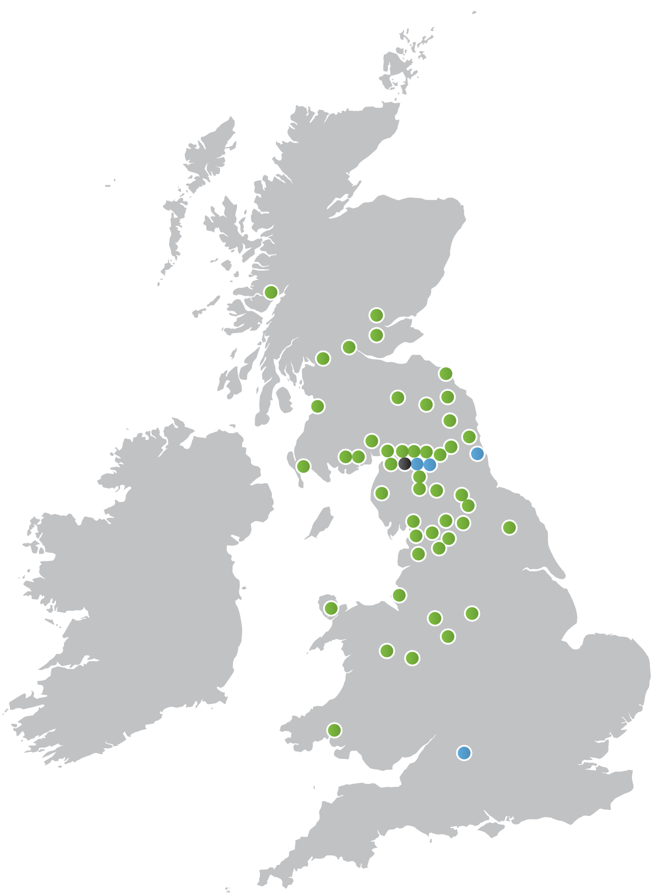
Leading companies and government bodies worldwide across the nuclear, research, oil and gas, and petrochemical industries.

INTERNATIONAL DISTRIBUTION



Our Engineering and Agriculture divisions distribute to customers all over the world.

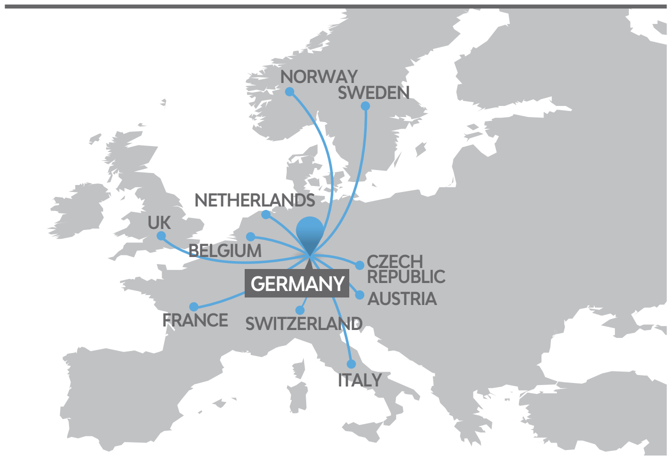
UK
LOCATIONS



● HEAD OFFICE ● ENGINEERING
● AGRICULTURE

AGRICULTURE
EUROPEAN DISTRIBUTION

ENGINEERING
EUROPEAN DISTRIBUTION



Chairman's Statement

CHRIS HOLMES
CHAIRMAN

> Despite challenges in both of our divisions, the year was one of investment and significant progress towards achieving the Group's medium term strategic objectives.

REVIEW OF THE YEAR

The financial year ended 2 September 2017 was a challenging year as the Group's financial performance was impacted by external factors affecting both divisions which were highlighted in our trading update on 20 July 2017. Despite this, the year was also one of investment and significant progress towards achieving the Group's medium term strategic objectives.

In our Agriculture division, while the UK business benefited from a recovery in farmgate milk prices and consequently improved farmer confidence, sales volumes in our USA feed block business were affected throughout the year by lower cattle prices. This was partially mitigated by a gradual recovery in the second half which has continued into the new financial year. In October 2017 we completed the acquisition of Pearson Farm Supplies Ltd in line with our strategy of strengthening our presence in current locations.

With the backdrop of this recovering USA trading environment, the strategic investment made in our new low moisture feed block plant in Tennessee, USA will provide us with access to new geographic markets in the Eastern and South Eastern states of the USA. The plant is expected to be completed before the end of December 2017 and following this the Group will have comprehensive coverage of all the major cattle areas in the USA.

In our Engineering division, we suffered a significant setback during the year as a result of a delay to the commencement of a major contract and the poor profitability of certain other contracts during the period. As previously disclosed in our trading update on 20 July 2017, the delayed contract has now been signed and work has begun which will continue throughout the current and into the next financial year.

During the year we also invested in the acquisition of two engineering businesses. In October 2016 we acquired a German family-owned engineering business, STABER GmbH, which designs and develops specialised technology and is highly complementary to Wälischmiller, our German remote handling business. Since its acquisition, STABER has been integrated with Wälischmiller and we are investing in the extension of our premises in Markdorf, Germany to consolidate both operations into one site and provide additional efficiency, flexibility and capacity.

In August 2017 we announced the acquisition of NuVision Engineering, Inc., a world renowned technology and engineering company based in the USA, specialising in the supply of products and services to the nuclear industry. The acquisition will provide the Group with a foothold into new major nuclear markets and the opportunity to market Wälischmiller products in the USA. In addition, we have continued to invest in extending our reach into new markets, particularly China, where significant opportunities lie in the supply chain as part of the country's increased development and investment in the nuclear power market.

We have also increased the strength and depth of our management team in the Engineering division through the appointment of a Divisional Managing Director who will oversee and coordinate the businesses in the UK, Germany and the USA.

In total, the Group has invested up to £24.3 million in expanding its USA feed block operations and in growing the Engineering division through acquisitions which take the Group into new geographic markets, provide additional capabilities, and support our growth ambitions. We therefore remain confident in the future prospects of both divisions.

FINANCIAL REVIEW

Revenue for the year increased by 9.9% to £346.2 million (2016: £314.9 million). Operating profit before amortisation of intangible assets and non-recurring items was down 28.5% to £9.3 million (2016: £13.0 million), with Agriculture contributing £8.6 million (2016: £10.4 million) and Engineering £0.7 million (2016: £2.6 million). The contribution from associates and joint ventures was up 35.2% at £2.8 million (2016: £2.1 million).

The Group incurred a number of non-recurring items in the year, totalling £1.3 million. This included acquisition costs of £1.4 million, primarily related to the acquisitions of NuVision and STABER, and a net credit relating to Chirton Engineering of £0.4 million. The net credit comprised an exceptional credit of £2.1 million for contingent consideration no longer payable and an impairment charge against the associated goodwill of £1.7 million. There was also a loss of £0.2 million on the disposal of an old, unutilised Agriculture site and restructuring costs of £0.1 million.

Reported operating profit after amortisation of intangible assets and non-recurring items was down 38.3% at £7.9 million (2016: £12.8 million).

Profit before tax before amortisation of intangible assets and non-recurring items was down 20.2% to £11.4 million (2016: £14.3 million), and reported profit before tax was down 29.0% at £10.0 million (2016: £14.1 million). Basic earnings per share were down by 28.0% to 7.7 pence (2016 continuing operations: 10.7 pence), with fully diluted earnings per share of 7.6 pence (2016 continuing operations: 10.5 pence) and adjusted earnings per share, excluding amortisation of intangible assets and non-recurring items, of 8.9 pence (2016 continuing operations: 10.9 pence).

Net debt at 2 September 2017 was £14.1 million (2016: net cash of £8.1 million). The movement included £13.2 million generated from operations, £14.3 million used for acquisitions and capital expenditure, and £19.5 million paid in dividends.

DIVIDEND

The Board is proposing a final dividend of 2.1 pence per ordinary share, which together with the two interim dividends of 0.95 pence per ordinary share paid on 12 May 2017 and 6 October 2017, make a total of 4.0 pence per share for the year (2016: 3.8 pence per share) excluding the special dividend of 17.54 pence per share paid in October 2016. The final dividend, if approved by the shareholders, will be paid on 12 January 2018, to shareholders on the register on close of business 15 December 2017, and the shares will go ex-dividend on 14 December 2017.

BOARD COMPOSITION AND CORPORATE GOVERNANCE

In line with our commitment to continual improvements in corporate governance, during the year we engaged Independent Audit Limited, a leading specialist in corporate governance, to conduct an external evaluation of the effectiveness of the Board and its Committees. That review concluded that the Board and its Committees were functioning well and noted that improvements had been made since the previous external review which we carried out in 2013. It also made a number of further recommendations which the Board has already begun to work towards implementing. The Board remains firmly committed to good governance.

Some changes have been made this year to the composition of the Board's Committees and to the Group's Remuneration Policy in light of feedback received from shareholders and investor reporting bodies following our 2016 Annual Report. We always welcome the views of all Carr's Group plc stakeholders, particularly where it can lead to improvements in our governance framework.

Full details of our approach to Corporate Governance, the independent review undertaken during 2017 and our policy on continued improvement are set out on pages 26-29 of our Annual Report and Accounts.

OUTLOOK

The Group remains focused on delivering its stated strategic objectives of investing in both its people and its asset base whilst continuing to drive product innovation and deliver growth, both organically and by acquisition, across our two divisions.

The outlook for UK Agriculture remains positive with farm incomes continuing to improve in the near term. Additionally, we continue to see a gradual improvement in cattle prices in the USA, resulting in improved feed block volumes, which is expected to continue.

In Engineering, the difficulties in our UK business largely caused by a significant contract delay have been addressed and, with the beneficial effects of other contract wins and strengthened management, we expect to see a significant improvement in the year ahead. The recent acquisitions enhance the depth of our offering and provide further opportunities to drive growth. We are also encouraged by the opportunities apparent within our Engineering division, particularly in China and the USA.

Looking further ahead, it remains unclear what the UK's terms of exit from the European Union will look like. However, the Board will continue to monitor the position closely and the Group will remain flexible to respond to any challenges that may arise.

Overall, trading in the new financial year has started well and in line with the Board's expectations, with a particularly good start to the year in our USA feed block business and strong order books across the Engineering division. We believe, that with the investments made in acquisitions and research during the year in both Agriculture and Engineering, we have laid a solid foundation for sustained growth and are confident in the outlook for the Group.

Chris Holmes

CHRIS HOLMES DL
Chairman
22 November 2017

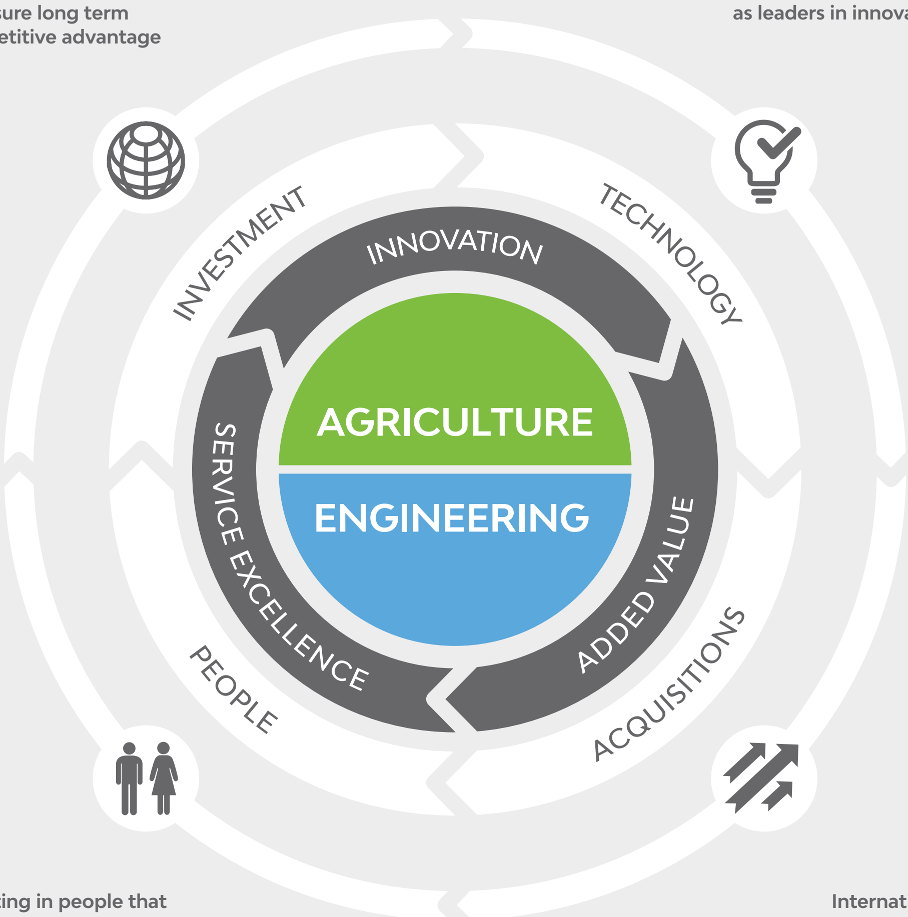
Group Strategy

Vision

To be recognised as a truly international business at the forefront of technology and innovation in our chosen markets.

Investment in assets to ensure long term competitive advantage

Seen and recognised as leaders in innovation



Investing in people that will shape the business in ten years' time

International expansion in high value growing market sectors

STRATEGIC OBJECTIVES

- Build business value by focusing on markets with growth potential
- Grow and diversify our international footprint
- Differentiate ourselves through innovation and technology
- Lead in our chosen markets

Business Strategies

Focused on growth markets

We aim to succeed by being selective in what we do.

We constantly strive to build deep and long lasting relationships with customers across a range of carefully chosen markets.

OUR KEY STRENGTHS

GLOBAL MARKETS

Wide range of export markets across the globe supplied from key manufacturing plants in UK, mainland Europe and across the USA.

CORE COMPETENCIES

Deep industry knowhow delivering market leading solutions backed up with world leading engineering capability.

MARKET LEADING PRODUCTS

Leading branded products such as Crystalyx® and SmartLic® in Agriculture and MSIP®, Powerfluidics™, Telbot® and A1000 in Engineering.

DOING THE RIGHT THING

Management style that encourages entrepreneurial drive and innovation backed up by key values – respect, trust and integrity.

Agriculture

After three difficult years across the global agricultural sector, prices in dairy and livestock markets have stabilised and begun to recover as 2017 has progressed. In the UK this recovery has been supported further by the continued weakness seen in sterling as the Brexit process has unfolded over the past twelve months.

Brexit adds uncertainty in the UK especially for agriculture and in the longer term the industry may move through a period of some significant change and restructuring in response. But long term prospects for agriculture remain strong – whatever the outcome of Brexit the need to increase productivity in the UK, Europe and globally to feed the growing world population remains critical. Moreover, to offset challenges that may emerge in the UK industry as a result of the Brexit process means that the need for productivity enhancing technologies remains strong.

The strategic aim across the Agricultural division remains to strengthen the businesses' geographical position and reach across core markets in the UK, Europe and the USA taking advantage of rising incomes in the dairy and beef sectors while also starting to develop a leadership position in dairy nutrition.

- Growing manufactured feed volumes in UK market.
- Continued investment in UK retail store development.
- Global investment including a new low moisture block plant in Shelbyville, Tennessee, a new Pick Block plant at Oldenburg, Germany and continued development of feed block markets in New Zealand and South America.

Engineering

Growing opportunities across the global nuclear industry continue to offer a good platform on which to develop and strengthen our Engineering division. The product development programme in remote handling is progressing well enabling the opening up of exciting new markets such as China. Exploration into the adjacent markets of defence and nuclear new-build amongst others also remains an important element of the divisional strategy as does building long term strategic relationships with key clients such as Sellafield.

The STABER GmbH integration process has progressed well and works are ongoing to extend premises at Markdorf, Germany to fully consolidate the business. The acquisition of NuVision Engineering, Inc. has provided the Engineering division with a foothold in the USA and the opportunity to promote the full range of Wälischmiller's products in that market. Further acquisition opportunities are also under review across the sector.

- Medium term manufacturing pipeline looking good, with benefit of £48m Sellafield Vessels and Tanks framework contract expected to begin during 2018.
- Acquisition of NuVision, a leading technology and applications engineering company based in the USA, opens up market access and manufacturing capability across North America.
- Increased strength and depth in management to bring full coordination and the benefit of synergies across the division globally.

GENERATING GROWTH THROUGH INNOVATION

During the year, the Group made strategic investment in technologies which will provide a platform for further growth in key markets.

Case Study: Simarghu®

In 2017 the Group's Workware division launched its Simarghu® range of arborist harnesses and products.

Developed over a number of years, and backed by patent-pending technology, Simarghu® represents the very best in safety and performance.

Named after the mythical dragon who protects the tree of life, the Simarghu® harnesses are the product of a collaboration with renowned industry and design experts. Recognising the importance of comfort whilst working at height, the design process heavily involved occupational therapists to ensure that the Simarghu® range continues to perform throughout use.

The meticulous design process has resulted in range of harnesses that have been described as truly "game-changing" with full ergonomic adjustability and practical features which are designed specifically with arborists in mind.

Perhaps the most notable development is the production of the very first female-specific harness which better levels of comfort and support over traditional unisex harnesses.

The Simarghu® range was first revealed at the Tree Care Conference in Augsburg, Germany and officially launched at the ARB Show, National Arboretum on 12 May 2017.

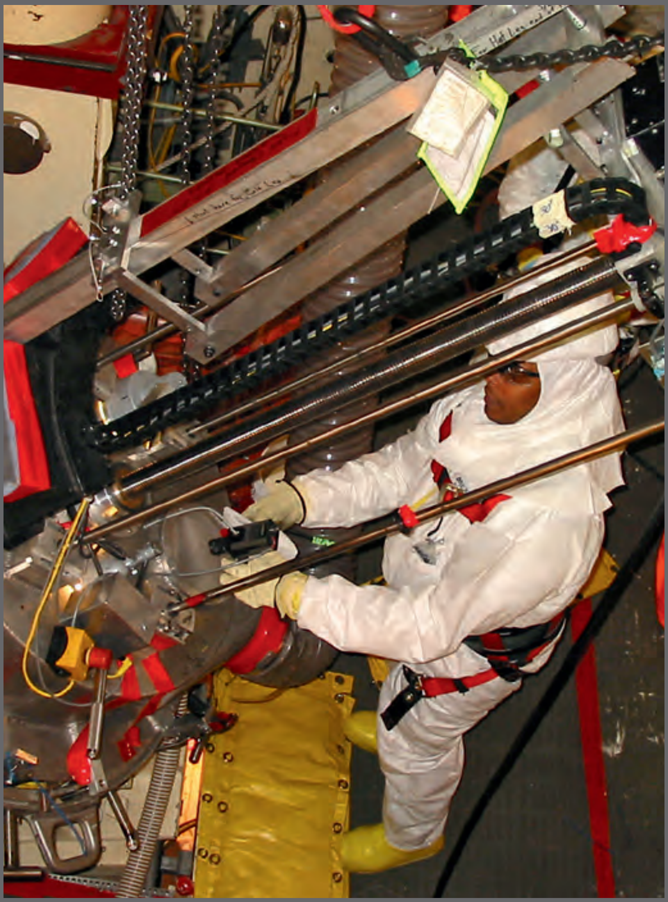
The industry response has been extraordinary with arborists providing ongoing positive feedback and endless reviews/discussions on social media. Since launch, further products have also been added to the range which complement the harnesses and enhance performance. Workware has already been able to appoint distributors across Europe and has plans to launch Simarghu® into the USA, Canada, Australia and New Zealand.

Top: The Simarghu® harness in action.

Bottom: The Gemini (female) harness.

The development of the Simarghu® range by Workware (a division of Carrs Billington Agriculture (Sales) Ltd) aligns with the Group's long-term strategy of focusing on markets with growth potential and differentiating ourselves by investing in technology and innovation. The range has proved very successful and has significantly elevated the profile of the Workware division.

Case Study: NuVision Engineering, Inc.



Top: Steam generator pipe-end decontamination applied at a US Nuclear Power Plant.

Bottom: Large-scale Powerfluidics™ technology Demonstrator Programme for the US Department of Energy.

On 7 August 2017, Carr's Group plc announced its acquisition of USA-based engineering business NuVision Engineering, Inc.

NuVision was founded in 1971 and is split between its headquarters in Pittsburgh, Pennsylvania and operations in Charlotte, North Carolina. It is recognised internationally as a leading technology and engineering solutions business specialising in supplying products and services at nuclear and power plant facilities, government waste remediation facilities and in waste clean-up programmes.

NuVision boasts an impressive customer base including the US Department of Energy, major nuclear energy suppliers and public utilities worldwide, and international governments. Its specialist products and services include:

- MSIP®: a patented technology for improving the safety and operational life of nuclear plant by reducing the stresses exerted onto welds and crack mitigation;
- Powerfluidics™: maintenance-free systems for mixing, sampling and retrieving radioactive liquids, slurries and sludges;
- Decontamination: efficient and effective systems for decontaminating pipe-ends and other artefacts in nuclear power plants during standard maintenance procedures;
- Robotics: a suite of heavy duty manipulators for use in clean-up operations, complementing the range currently offered by the Group's existing remote handling operations; and
- R&D consultancy: working with the US Department of Energy to develop innovative solutions for the nuclear industry.

As part of the deal, the Group also acquired NuVision's 49% stake in Mid Columbia Engineering, Inc., an engineering and fabrication business based in Richland, Washington and local to the Hanford Site nuclear complex.

The acquisition provides a strong foothold into USA nuclear markets and will enable significant revenue synergies with the Group's existing engineering businesses, including the opportunity to market Wälischmiller's products in the USA. It aligns with the Group's strategy of international growth, particularly in markets with significant potential, and to be at the forefront of innovation and technology.

MSIP®

Mechanical Stress Improvement Process (MSIP®) is a patented technology that was invented, developed and first used in 1986 by NuVision for mitigating stress cracking in nuclear plant pipe welds.

The process works by hydraulically compressing a pipe either side of a weld joint by approximately 1-2%. By compressing the weld, the tensile stresses are redistributed and the safety and operational life of plant is improved.

Each application requires a highly engineered bespoke clamp to be manufactured and meticulous planning so that installation can be completed during nuclear plant outages.

MSIP® is accepted by the United States Nuclear Regulatory Commission as a stress mitigation process and has successfully been applied to over 6,000 welds on nuclear power plants worldwide and on pipes from 2-34 inches in diameter.

Chief Executive's Review

TIM DAVIES
CHIEF EXECUTIVE OFFICER

Despite difficult market conditions and a disappointing performance in our UK Manufacturing business, we have continued to invest in our business, which is consistent with our vision to be recognised as a truly international business at the forefront of innovation and technology across Agriculture and Engineering.

OPERATING PROFIT* BY SECTOR

AGRICULTURE	ENGINEERING
£8.6m	£0.7m
17.2% DOWN from 2016	74.2% DOWN from 2016

*Before amortisation and non-recurring items

Agriculture

The Agriculture division has experienced a challenging year. Lower farming profits in the USA, resulting from lower cattle prices, impacted sales volumes of our feed blocks. However, this was partially offset by a recovery in UK Agriculture as farmgate milk prices and farmer confidence improved.

FEED BLOCKS

In the USA, pressure from lower cattle prices impacted our feed block business, with sales volumes, including joint ventures, down 4.1% year on year. As anticipated, the second half of the year saw the beginning of a recovery, resulting in volumes being marginally ahead of previous expectations. This gradual recovery is expected to continue in the current year.

Our new low moisture feed block plant in Tennessee is expected to be fully operational by the end of December 2017, providing access to new markets across the Eastern and South Eastern states of the USA and providing additional capacity as the market recovery continues.

UK feed blocks performed well, demonstrating the strength of our brands, despite milder spring weather conditions which caused a slowdown in the second half.

Overall, feed block sales were down 2.1% on last year.

We continue to develop opportunities to expand geographically. In South America, our trials at FAI Farms (a commercial research institute in Brazil) and the Instituto de Zootecnia near Ribeirao Preto, São Paulo State are progressing well. Completion of the trials is expected in the current financial year and initial results are encouraging. In New Zealand we have incorporated a subsidiary company and established a direct sales operation distributing to farmers through key merchants as we make progress towards establishing our feed block products in this important market.

Investment in research in all our territories continues as we demonstrate the continued value of our existing brands such as Crystalyx® and SmartLic® as well as the introduction of new products, such as FlaxLic® and Megastart®. The continued investment in research which confirms the efficacy of our products is the foundation for the success of our feed block business globally, and sets us apart from our competitors.

UK AGRICULTURE

The recovery we witnessed in the first half in UK Agriculture continued into the second half with manufactured feed volumes, which includes compound feed and blends, increasing 10.9% year on year, against a national market rise of 6.6%[1]. This is a strong performance which demonstrates the value we bring to our customers. On 5 June 2017 we acquired the trade and assets of Mortimer Feeds, a feed merchant business operating principally in Cheshire. This acquisition adds incremental feed volumes, converts some existing merchant business into direct sales, and is in line with our strategy of strengthening our presence in current locations and leading in dairy nutrition.

The retail business has delivered another strong performance, with the country store network across Northern England and Southern Scotland reporting an increase of 0.8% in like-for-like sales and a 2.2% increase in total sales following the opening of Penicuik, East Midlothian in December 2016 and the acquisition of Horse and Pet Warehouse Ltd, Ayr in March 2017.

On 31 October 2017 we acquired the entire issued share capital of Pearson Farm Supplies Ltd, an agricultural retail business with locations across Yorkshire, Lancashire and North West Wales. This will significantly expand our customer base, bring together key people and provide key synergies across the Group. The acquisition takes our total retail footprint to 43 locations.

The strategy for the retail business remains the expansion of our geographic reach into adjacent territories, redeveloping existing facilities and expanding our product offering to meet the needs of our customers, particularly those located in rural communities. As part of our strategy, we continue to ensure that our retail stores have the best possible locations alongside livestock auction markets and in key agricultural locations.

In addition, we had a strong performance in agricultural machinery where sales achieved a record level, increasing 27.8% year on year. New tractor sales were up 42% year on year against a market increase of 21% and our market share for key brands increased by 3% to 19%.

The oil distribution business saw sales volumes decline 3.5%, which was a resilient performance given the mild weather conditions, with ambient temperatures during winter and spring higher than the prior year. Our continued good performance can be attributed to our product offer and excellent levels of customer service.

AGRICULTURE OUTLOOK

Farmer confidence has returned during the year as a result of the increase in farmgate milk prices and improved revenues from beef and sheep leading to a recovery in farm incomes. We expect farm incomes to continue to improve throughout the current financial year.

The uncertainty following the outcome from the EU referendum remains, particularly relating to the future of the single farm payment and support for UK farmers. However, in the short-term UK livestock and dairy prices have responded positively due to a number of factors, including the devaluation of sterling.

The division is well placed both operationally and geographically to adapt to future market conditions whilst continuing to support the needs of our farming customers.

[1] Department for Environment, Food and Rural Affairs, 2017

Engineering

The Engineering division had a disappointing year with a poor performance in UK Manufacturing due largely to a delayed contract. Despite this, the division made significant strategic progress with the highlights being the acquisition and integration of STABER into our remote handling business and the acquisition of NuVision. This takes the business into new markets in the USA, increases the focus on nuclear and its adjacent markets, and brings new technology and capabilities to the Group.

UK MANUFACTURING

Revenues declined in the year as a result of the contract delay in the first half of the year. As announced on 30 March 2017, efforts to mitigate the effects of that delay were only partially successful. The impact of the reduction in revenues, together with poor margins on work completed during the year, largely as a result of the continuing pressures in the oil and gas markets, resulted in a loss in our UK Manufacturing business.

We have strengthened the management team in the UK Manufacturing business in the final quarter of the financial year. Also, we were pleased to report on 20 July 2017 that the delayed contract had been signed. This will be delivered throughout the current financial year and into the next financial year. Additionally, work within the Sellafield Vessels and Tanks Category Management Framework is expected to commence during the current financial year. This contract, with a value of £48m at the time of the tender, secures design and manufacturing services relating to Sellafield's highest complexity vessels for a 10 year period. This underpins the growth and development of our UK Manufacturing business over the medium and long term.

The Group's focus on the nuclear industry has continued although, as previously reported, the pivot by part of the manufacturing business away from oil and gas to nuclear and its adjacent markets, including defence, has been slower than initially anticipated due to the aforementioned contract delay.

The UK nuclear industry has benefited from the Government's commitment to both the ongoing decommissioning process and the future construction of new nuclear power facilities. Consequently, the division is seeing an increase in the level of activity and engagement with the new build sector and is establishing itself as a strategically relevant partner to the international effort behind the new build programme.

USA ENGINEERING

On 7 August 2017, we announced the acquisition of USA-based engineering business NuVision Engineering, Inc. which operates from locations in Pittsburgh, Pennsylvania and Charlotte, North Carolina.

The Group acquired the company for an initial consideration of $11.5m (£8.8m), before adjustments for working capital, and a total consideration of up to $20m (£15.4m) dependent upon future financial performance. NuVision is recognised internationally as a leading technology and engineering solutions business specialising in supplying products and services at nuclear and power plant facilities, government waste remediation facilities and in waste clean-up programmes.

The acquisition provides a strong foothold into USA nuclear markets and will enable significant revenue synergies with the Group's existing engineering businesses, including the opportunity to market Wälischmiller's products in the USA. NuVision is already a key supplier under a major nuclear contract being delivered by the UK Manufacturing business.

REMOTE HANDLING

During the year the remote handling business performed ahead of the Board's expectations with high levels of activity, particularly in relation to the manufacturing of products for the Chinese market. Furthermore, the order book is at its highest level for several years.

In January 2017 we were notified that the Group had won the tender for the supply of a number of manipulators, including three A1000s, 36 A100s and four A200s, into China. Manufacturing commenced during the second half of the year and continues in the current financial year. This is particularly encouraging given the significant increase in the planning and construction of new nuclear power plants and forms part of the Chinese Government's strategic plan to remove its current reliance on coal generated power. As part of that plan, power companies are mandated to include remote handling capability within the design of a new nuclear power station in order for it to be able to handle waste and potential future decommissioning requirements.

During the year it was confirmed by Statoil that funding would continue to be supplied for the Demo 2000 project which involves the development of a lightweight Telbot® especially for use on oil and gas platforms and which is designed to reduce risk and downtime during tank inspections.

On 24 October 2016 we acquired STABER GmbH, one of the primary suppliers to Wälischmiller, our German remote handling business, including all of its associated intellectual property for a total cash consideration of €7.9m (£6.98m). STABER and Wälischmiller have been working together closely for over 50 years and its acquisition will help drive efficiencies and profitability within the division.

The first stage of integrating STABER into Wälischmiller has been successfully completed, with key personnel being retained and working together effectively, and the extension of the premises in Markdorf, Germany is underway. This will provide additional flexibility and capacity, and consolidates both operations into one facility which will complete the integration process and be of significant benefit.

Following the acquisition of NuVision in August 2017, which has its own range of heavy-duty manipulators, the Group has one of the most technologically advanced ranges of remote handling equipment in the world.

MANAGEMENT

To maximise opportunities and synergies following the strategic progress made during the year, we have strengthened the management in the Engineering division through the appointment of a Divisional Managing Director to oversee Engineering operations across the Group.

ENGINEERING OUTLOOK

We continue to invest in the ongoing development of our products and services within the Engineering division to ensure that they remain at the forefront of innovation and technology. When combined with our existing decommissioning portfolio and strong pipeline of current and potential contracts, the Group is well positioned to benefit from future opportunities and developments, particularly in the nuclear sector where our reputation as a premium supplier of high integrity equipment is already well established.

TIM DAVIES
Chief Executive Officer
22 November 2017

"The acquisition of NuVision Engineering, Inc. gives us a strong foothold into USA nuclear markets and will enable significant revenue synergies with the Group's existing engineering businesses."

Our risk appetite and approach to risk management

Our success as a Group depends on the ability to identify and maximise the opportunities generated by our businesses and the markets in which we operate.

In doing so, we continue to develop an embedded approach to risk management which puts risk and opportunity assessment at the heart of our strategy.

The Group adopts a risk profile aligned to our vision to be recognised as a truly international business at the forefront of technology and innovation.

Our available capital and resources are applied to underpin our four strategic pillars: acquisitions, people, investment and innovation.

The Board believes that in managing the Group's business it is critical to strike the right balance between an appropriate and comprehensive control environment and encouraging entrepreneurial behaviours required to seek out and develop the business.

However well this is struck, the business will always be subject to a number of risks and uncertainties. Our approach to risk management is designed to provide reasonable assurance that our assets are safeguarded. The risks facing the business are assessed and, where possible, mitigated and all relevant information is disclosed and reported to the Board.

ORGANISATION AND PROCESS

The Board assumes overall responsibility for the management of risk and for reviewing the effectiveness of the Group's risk management and internal control systems.

The Board has established a clear organisational structure with well-defined accountabilities for the principal risks the Group faces in the short, medium, and long term, across all divisions. This is overseen by the Executive Directors, who have an active responsibility for focusing on the principal areas of risk to the Group. The Board reviews these risk areas, including consideration of environmental, social, and governance matters.
This review is undertaken quarterly.

For each of our principal risks we have a risk management framework detailing our assessment of the risk, the controls we have in place, who is responsible for managing the risk, as well as any further mitigating actions required.

BOARD'S ASSESSMENT OF COMPLIANCE WITH THE RISK MANAGEMENT FRAMEWORK

The Board review the principal risks quarterly. This is supported by an annual review of the risk management system undertaken by the Audit Committee. Details of the activities of the Audit Committee in relation to this can be found in the Audit Committee Report on pages 30-32. Decisions that could have a material impact on the Group are reviewed as and when required at Board meetings.

PRINCIPAL RISK FACTORS

Our business is subject to a variety of risks and uncertainties. On the following pages we have identified the risks we regard as most significant to our Group and performance at this time. These may change as the Group develops over the year. We have commented on mitigating actions that we believe help us manage these risks. However, we may not be successful in deploying some or all of these mitigating actions. If the circumstances in these risks occur or are not successfully mitigated, our cash flow, operating results, financial position, business and reputation could be materially adversely affected.

KEY RISKS

DESCRIPTION OF THE RISK	WHAT WE ARE DOING TO MANAGE THE RISK
IT AND CYBER-SECURITY The Group relies on information technology and key systems to support the business. In common with other organisations, the Group undertakes development of its IT systems and is susceptible to cyber-attacks with the risk of a financial loss and threat to the overall confidentiality and availability of data in systems.	The Group has a comprehensive suite of IT security solutions in place, which are reviewed and tested by specialist third parties. From a system development perspective, major projects are subject to appropriate project governance arrangements.
BREXIT The UK's impending exit from the European Union (EU) highlights a number of risks for the Group, particularly in the Agriculture division. Part of our customer base is inherently reliant on agricultural subsidies from the EU, and therefore future government policy and support for the agricultural sector will potentially impact on our customers with a knock on effect to our agricultural business. Similarly, for some areas of the business the Group imports raw materials from within the EU. The imposition of tariffs or other related cost increases could impact the cost base of the Group.	The Group benefits from its operational and geographic diversity and is not substantially dependent on the EU for either raw materials or revenues. We will continue to monitor developments in the Brexit process and incorporate steps into our future business planning where these may be required in order to mitigate any potentially adverse consequences including the imposition of any tariffs.
ACQUISITIONS The Group is acquisitive and is therefore exposed to the possibility of acquiring a company based on inaccurate information, unrealistic synergies and financial benefits, or an inappropriate deal structure. Failure to effectively integrate acquired businesses could also undermine any expected synergies.	A thorough and careful due diligence process is undertaken, utilising relevant skilled internal personnel, as well as external expertise when required. Individual business unit and Group resource is used to analyse potential synergies and financial benefits. Consideration is given to the composition and skills of the management team of the acquired company and support and relevant training is provided by Group personnel as part of a detailed plan to ensure a successful integration. The deal structure and proposed financing arrangements are determined on a case by case basis. Post-acquisition reviews are also undertaken to identify any areas for improvement in future transactions.
MANAGING COSTS Margins may be affected by fluctuations in raw material prices due to factors such as harvest and weather conditions, crop disease, crop yields, alternative crops, and by-product values. In some cases, due to the basis for pricing in sales contracts, or due to competitive markets, we may not be able to pass on to customers the full amount of raw material price increases or higher energy, freight or other operating costs.	The Group has a number of strategies in place to manage this risk. These include: • strategic long term relationships with suppliers; • multiple-source suppliers for key ingredients; • raw material and forward energy purchasing policies to provide security of supply and cost; and • close monitoring of contract execution to ensure supply is within agreed terms.

Continued overleaf

Risk Management *continued*

KEY RISKS

DESCRIPTION OF THE RISK	WHAT WE ARE DOING TO MANAGE THE RISK
RELIANCE ON KEY CUSTOMERS Some businesses within the Group have a significant proportion of their revenue generated from a small number of key customers. A loss of one or more of these customers could adversely affect the performance of a division and in turn the Group.	The businesses have established good long term relationships with key customers to ensure that demands and expectations are met. The Group is constantly investing in its businesses to ensure that they are able to satisfy customer needs and are market leaders. The Group is continually working on identifying new markets, products, and opportunities to expand the customer base of all its businesses.
PEOPLE Performance, knowledge and skills of employees are central to the success of the Group. We must attract, integrate, and retain the talent required to fulfil our strategic growth ambitions. Inability to retain key knowledge and adequately plan for succession could have a negative impact on the Group's performance.	The Group has remuneration policies designed to attract, retain and reward employees with the ability and experience to execute the Group's strategy. Management development programmes are in place, alongside detailed succession planning across the Group. Succession plans for senior roles are reviewed by the Nominations Committee annually.
STRATEGIC PARTNERS The Group has a number of strategic partners, particularly in the Agriculture division, who are involved either as joint venture partners or significant minority shareholders. A successful working relationship with these partners is paramount to those businesses' success.	Close working relationships are maintained with all the Group's strategic partners. This includes regular meetings, both formally and informally, and close involvement in the setting and monitoring of strategy for those businesses. In addition, arrangements are appropriately documented in contracts and legal agreements.
CUSTOMER DEMAND Changes in customer demand, be that retail, commercial or government customers, caused by economic factors or delays in planning contracts could result in a fall in demand for the Group's product offering, resulting in a significant loss in revenue.	The Group operates in diverse worldwide markets, which provide some resilience for the Group against difficulties faced by any one market or economy. The businesses are managed flexibly to react to changing demands in their own sector.
TREASURY We are exposed to a variety of financial risks in relation to treasury. The Group must ensure that it has an adequate level of facilities to provide sufficient funding to operate its businesses and to develop growth opportunities. Changes to the value of currencies can fluctuate widely and could have a significant impact on a division's results due to the translation of overseas results into our functional currency and because some sales receipts and purchase payments are denominated in foreign currencies. Furthermore, because the Group has international businesses it is subject to exchange risks in the translation of the underlying net assets and earnings of its foreign subsidiaries.	The level of facilities are regularly reviewed by the Group Finance Director, and these are also regularly reported to and discussed by the Board. The Group operates a treasury policy of hedging all significant transactional currency exposures. Additionally, translational hedging instruments are sometimes used to limit the potential impact of fluctuating currencies on reported earnings from foreign subsidiaries. For interest rate risk on floating rate debt, we maintain a mix of fixed rate debt, primarily finance lease, and floating rate debt. These levels are monitored and assessed against forecast changes in interest rates and forward guidance from interest rate setting authorities.
BUSINESS CONTINUITY The operation of manufacturing plants involves many risks that could cause a temporary or permanent stoppage in production and could have a material adverse effect on the Group.	The Group has Business Continuity arrangements in place to enable continuity of supply, as quickly as practicable, of product to customers in the event of a natural disaster or major equipment or plant failure. A programme of insurance is also in place to protect against the cost of major business interruptions.

Viability Statement

The Group's business model and strategy are central to an understanding of its prospects, and details can be found on pages 6-7. The Group is very diverse both operationally and geographically. The Group set down a strategic plan three years ago, which is subject to ongoing monitoring and development as described below.

The Group's focus is particularly on developing its supplements business, because of the opportunities for international expansion and product development, and its nuclear engineering business because of the global expansion opportunities in the nuclear sector and adjacent markets.

The Group's prospects are assessed primarily through its strategic planning process. This process is led by the Chief Executive across all aspects of the Group. The Board participates fully in the annual process through an annual strategy day, detailed strategic presentations on all areas of the business by business leaders throughout the year, and an annual half-year strategic update. Part of the Board's role is to consider whether the plan continues to take appropriate account of the changing external environment.

The output of the strategic planning process is a set of Group strategic objectives and a number of strategic priorities for the forthcoming financial year. The latest updates to the strategic plan were finalised in May 2017 following this year's review. This considered the Group's current position and the development of the business as a whole over the next three years.

Given the nature of the business cycles in both Agriculture and Engineering, it was decided that a period of three years to 31 August 2020 was the most appropriate for the purpose of a viability assessment. The Group has prepared detailed financial forecasts for the 3 year period to 31 August 2020, so that 2 years 10 months remains at the time of approval of this year's Annual Report and Accounts. The first year of the financial forecasts form the Group's operating budget and is subject to a re-forecast process at the half-year. Forecasts for the second and third years are prepared in a similar level of detail.

The Group's principal risks are set out on pages 14-16. The purpose of the principal risks table is primarily to summarise those matters that could prevent the Group from delivering on its strategy. A number of other aspects of the principal risks – because of their nature or potential impact – could also threaten the Group's ability to continue in business in its current form if they were to occur. Of the principal risks identified, the following are the most important to the assessment of the viability of the Group:

1. Brexit;
2. Managing costs;
3. Reliance on key customers;
4. Strategic partners;
5. Customer demand; and
6. Treasury.

It was determined that none of these individual risks would, in isolation, compromise the Group's viability.

Although the strategic plan reflects the Directors' best estimate of the future prospects of the business, they have also tested the potential impact on the Group of a number of scenarios over and above those included in the plan by quantifying their financial impact and overlaying this on the detailed financial forecasts in the plan.

These scenarios represent 'severe but plausible' circumstances that the Group could experience.

The scenarios tested included:

- Significant reductions in profitability and associated cashflows associated with the risks highlighted above, with consumer demand affecting all business units and additional impacts on Agriculture business units from commodity costs, and from strategic partners; and
- Interest costs increasing by a factor of two.

The results of this stress testing showed that, due to the stability of the core business, the Group would be able to withstand the impact of these scenarios occurring over the period of the financial forecasts by making adjustments to its operating plans within the normal course of business.

The Group also considered a number of scenarios that would represent serious threats to its liquidity. None of these was considered to be plausible.

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period ending 31 August 2020.

The Directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the Basis of Accounting paragraph in the principal accounting policies.

Financial Review

NEIL AUSTIN
GROUP FINANCE DIRECTOR

"The key features of the year have been the disappointing performances in parts of the UK Engineering and USA Agriculture businesses. However, despite this there has been significant strategic progress."

Current and Future Development and Performance

REVENUE

Reported revenues from continuing operations were £346.2m, 9.9 per cent ahead of last year (2016: £314.9m).

Revenues have increased primarily as a result of higher sales volumes in the UK Agriculture business.

OPERATING PROFIT

Group operating profit before amortisation and non-recurring items of £9.3m is down 28.5 per cent on last year (2016: £13.0m). As a percentage of revenues, Group operating margin before amortisation and non-recurring items is 2.7 per cent compared to 4.1 per cent in 2016.

These reductions are due to the trading issues experienced in the last year in UK Manufacturing and in USA Feed Blocks.

Operating profits, before amortisation and non-recurring items and from continuing operations, per division and as a percentage of divisional revenues are as follows:

Operating Profit (Before amortisation and non-recurring items)	2017 £m	2017 %	2016 £m	2016 %
Agriculture	8.6	2.7	10.4	3.7
Engineering	0.7	2.2	2.6	8.6
Total	9.3		13.0	

AMORTISATION AND NON-RECURRING ITEMS

The Group incurred a number of non-recurring items in the year, totalling £1.3m. This included acquisition costs of £1.4m, primarily related to the acquisitions of NuVision and STABER, and a net credit relating to Chirton Engineering of £0.4m. The net credit comprised an exceptional credit of £2.1m for contingent consideration no longer payable and an impairment charge against the associated goodwill of £1.7m. There was also a loss of £0.2m on the disposal of an old, unutilised Agriculture site and restructuring costs of £0.1m.

SHARE OF ASSOCIATES AND JVS

The Group's share of the post-tax result in its associates and joint ventures was £2.8m, compared to £2.1m in 2016. The result reflected both an increase in its associates' profitability and an increase in joint venture profitability, primarily driven by a recovery in the European dairy market which assisted feed block performance and a better performance in the USA AminoMax business.

FINANCE COSTS

Net finance costs of £0.7m were lower than the previous year (2016: £0.8m), reflecting lower borrowings throughout the year. Interest cover was 15.5 times based on reported profit (18.1 times on an underlying profit basis) compared to 19.2 times in 2016.

PROFIT BEFORE TAX

Profit before tax from continuing operations before amortisation and non-recurring items at £11.4m was 20.2 per cent lower than in the previous year (2016: £14.3m). Reported profit before taxation was £10.0m (2016: £14.1m).

TAXATION

The Group's effective tax charge on profit from activities after net finance costs and excluding profits from associates and joint ventures was 23.7 per cent (2016: 24.2 per cent). A reconciliation of the actual total tax charge to the standard rate of corporation tax in the UK of 19.58 per cent is given in note 7 to the financial statements.

EARNINGS PER SHARE

The profit attributable to the equity holders of the Company amounted to £7.0m (2016: £12.5m), and basic earnings per share from continuing operations was 7.7p (2016: 10.7p), a decrease of 28.0 per cent.

Adjusted earnings per share from continuing operations of 8.9p (2016: 10.9p) is calculated by dividing the profit attributable to equity holders for the year, before amortisation and non-recurring items, by the weighted average number of shares in issue during the year.

ACQUISITIONS

The Group has made a number of acquisitions in the year in both divisions.

The entire issued share capital of STABER GmbH was acquired by Wälischmiller Engineering GmbH on 24 October 2016 for cash consideration of €7.85m, including €2m of deferred consideration. The deferred consideration is payable upon successful transfer of intellectual property, and is due by 30 June 2018.

The Group acquired the entire issued share capital of Horse and Pet Warehouse Ltd, a retailer of animal health products for the pet, equine and smallholding market, on 17 March 2017 for a cash consideration of £139,000. On 5 June 2017, the Group also acquired the business and certain assets of Mortimer Feeds Ltd for cash consideration of £579,000, including £125,000 of contingent consideration. Both acquisitions have been subsequently hived up and incorporated into Carrs Billington Agriculture (Sales) Limited.

NuVision Engineering, Inc. was acquired by the Group on 4 August 2017 for a total consideration of up to $20m.

Cash flow and net (debt)/cash	2017
	£'000
Operating profit from continuing operations	7,877
Depreciation and loss on disposal	4,314
Amortisation and impairment of goodwill	1,824
EBITDA (excluding associates and joint ventures)	**14,015**
Increase in inventories	(2,379)
Increase in receivables	(383)
Increase in payables	4,402
Other	(561)
Net operating cash flow	**15,094**
Net interest	(721)
Taxation	(1,179)
Cash flow from continuing operations	**13,194**
Maintenance capex	(1,939)
Free cash flow	**11,255**
Expansionary capex	(915)
Acquisitions	(13,189)
Dividends received	1,212
Dividends paid	(19,467)
Loans and Finance leases received/paid	(760)
Change in borrowings	(1,110)
Other	691
Cash flows	**(22,283)**
Opening net cash	**8,144**
Closing net debt	**(14,139)**

The initial consideration payable was $11.5m, with contingent consideration of up to $8.5m payable over a three year period dependent on future financial performance.

Further details on all acquisitions are given in note 29 to the financial statements.

CASH FLOW AND NET DEBT

A free cash flow of £11.3m was generated in the year, representing an increase of 73.2 per cent on £6.5m in the previous year.

This increase was substantially due to improvements in working capital. After payment of £19.5m of dividends, including a £16.0m special dividend, and £13.2m on acquisitions, the cash flow for the year was £22.3m, resulting in closing net debt of £14.1m.

Headroom against existing facilities was £30.2m at the year end. Other than the Group's overdraft, which is renewable annually, the Group's existing facilities are due for renewal in June 2019.

PENSIONS

The Group operates its current pension arrangements on a defined benefit and defined contribution basis. The defined benefit scheme is closed to new members and closed to future accrual. The scheme currently has 106 deferred members and 227 current pensioners.

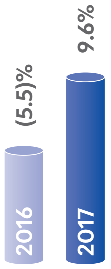
The valuation on an IAS 19 accounting basis showed a surplus before the related deferred tax liability in the scheme at 2 September 2017 of £5.2m (2016: £0.3m). This is after an actuarial gain of £5.0m (2016: loss of £2.7m) which has been recognised in the Consolidated Statement of Comprehensive Income.

N. Austin

NEIL AUSTIN
Group Finance Director
22 November 2017

Key Performance Indicators

We monitor our performance against the strategy by means of key performance indicators ('KPIs'):



Underlying sales growth/decline

+9.6%

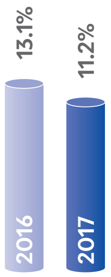
Financial Review
Pages 18-19

Definition

Year on year increase/(decrease) in sales revenue excluding the impact of acquisitions and disposals.

Comments:

Revenues are monitored by the Board. Our volume driven businesses are all subject to significant raw material price variations, the majority of which are passed through to selling prices. Hence increasing raw material prices are expected to lead to higher revenues.



Gross margin

11.2%

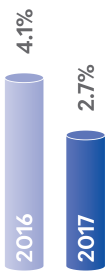
Financial Review
Pages 18-19

Definition

Gross profit as a percentage of sales revenue.

Comments:

Gross margin is a reflection on how successfully we have managed raw material price volatility in our markets, together with how successful we have been in pricing in other areas of our business in competitive markets. Our gross margin from continuing operations fell to 11.2% in the current year, which reflects the market conditions in USA Agriculture and the poor performance of UK Manufacturing partly as a result of major contract delay.



Adjusted Group operating margin

2.7%

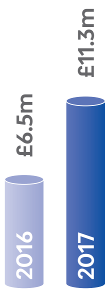
Financial Review
Pages 18-19

Definition

Operating profit before non-recurring items and amortisation, as a percentage of revenue.

Comments:

The underlying Group operating margin reflects the gross margin achieved, which is described above, but also indicates the efficiency of our operations from both an administrative and distribution perspective. The fall in underlying operating margin from continuing operations to 2.7% reflects the financial performance in USA Agriculture and UK Manufacturing.



Free cash flow

£11.3m

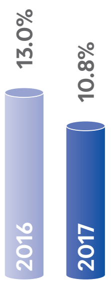
Financial Review
Pages 18-19

Definition

Cash generated from operating activities including all cashflows from discontinued operations, less maintenance capital expenditure.

Comments:

This KPI indicates how much cash is available for the Group to utilise for expansionary capital investment, paying dividends, or financing/repaying borrowings. The increase in FY17 is predominantly due to working capital changes across the business.



Return on net assets

10.8%

Financial Review
Pages 18-19

Definition

Profit before tax, non-recurring items and amortisation as a percentage of net assets.

Comments:

Return on net assets fell to 10.8% this year. This reduction also reflects the financial performance in USA Agriculture and UK Engineering. The 2016 calculation excludes profit before tax of discontinued operations of £3.5m.

The Board

TIM DAVIES
CHIEF EXECUTIVE OFFICER

Tim joined Carr's in March 2013 as Chief Executive. Tim was formerly the Group Managing Director at Openfield. Prior to this, he progressed from Sales Director to Managing Director of Grainfarmers plc in 2005. He subsequently led the successful merger of Grainfarmers plc and Centaur Grain Ltd in 2008, forming Openfield, the largest farmer-owned grain marketing business in the UK. Tim continued in his role as Group Managing Director until 2013. He was a Director of the Agricultural Industries Confederation between 2003-2016.

NEIL AUSTIN
GROUP FINANCE DIRECTOR

Neil joined Carr's in January 2013 and became Group Finance Director in April 2013. Neil was formerly a Director at PwC, having joined as a graduate in their Newcastle office in 1997. He was appointed as a Director of the Newcastle office in 2007 with lead responsibility for part of the Assurance practice, and has experience with FTSE 350 companies and multi-nationals.

CHRIS HOLMES
NON-EXECUTIVE CHAIRMAN
NOMINATIONS COMMITTEE CHAIRMAN

Chris joined Carr's in 1991 as the Managing Director of the Agriculture business, having previously worked for J Bibby & Sons. Chris was appointed Chief Executive in 1994, and remained in that role until he was appointed Chairman in 2013. He commenced as Chairman of Carlisle Youth Zone in 2013 and is currently Chairman of the Cumbria Local Enterprise Partnership Scrutiny Panel.

JOHN WORBY
SENIOR INDEPENDENT DIRECTOR
AUDIT COMMITTEE CHAIRMAN

John was appointed a Non-Executive Director in April 2015. John is currently a Non-Executive Director of Fidessa Group plc, Senior Independent Director of Hilton Food Group plc and Chairman of the audit committee of both companies. John was previously the Finance Director of Genus and a Non-Executive Director of Cranswick plc. John is a chartered accountant and a member of the Financial Reporting Review Panel.

ALISTAIR WANNOP
NON-EXECUTIVE DIRECTOR

Alistair was appointed a Non-Executive Director in 2005. Alistair has been the Chairman of both the County NFU and the MAFF northern regional advisory panel. He has served as a Director of The English Farming and Food Partnership, Rural Regeneration Cumbria, and Cumbria Vision. Alistair is a fellow of the Royal Agricultural Society of England and currently holds office as High Sheriff of Cumbria.

IAN WOOD
NON-EXECUTIVE DIRECTOR
REMUNERATION COMMITTEE CHAIRMAN

Ian was appointed to the Board on 1 October 2015. He retired as the Commercial Director, International Business Development for Centrica (previously British Gas) in January 2016 having held a number of positions with the Company, covering various aspects of the business including engineering, customer services, industrial and commercial marketing, and energy trading within the UK, Continental Europe and North America. Ian is a Director of Talkin Energy Ltd.

MATTHEW RATCLIFFE
COMPANY SECRETARY

Matthew joined Carr's in November 2016 as Company Secretary and Legal Counsel. Matthew is a solicitor with a breadth of experience working alongside both international and local businesses in corporate, commercial and contentious matters. He began his career with Pinsent Masons before joining a Cumbrian law firm in 2009 and being appointed a Director in 2014.

Corporate Responsibility

Carr's Group places great emphasis on social responsibility and in maintaining high ethical standards. The Group takes pride in the safety and wellbeing of its people, in the steps taken to reduce its environmental impact and in ensuring that it plays its part in the community.

PEOPLE

People are fundamental to every business and our employees are critical to the successful delivery of our strategic objectives. One of our four key pillars is "investing in people, who are vital to the long term success of the business".

Our values of trust, respect, and integrity run throughout all our businesses. Our high levels of teamwork and co-operation are a major contributing factor to our success. We strive to ensure that employees across the Group are kept informed about business performance through the issue of regular briefing notes by the Executive Directors or Senior Management. These are circulated as a matter of routine at regular intervals and also whenever there are significant developments across the Group or which affect a particular division or business unit. Management within the Group are also kept informed on issues that may affect employees which enables effective, transparent communication and consultation where appropriate.

Continuing to identify talent and develop our people will remain key priorities for us going forward. We remain committed to providing a working environment that:

- is consistent and fair;
- is free from discrimination;
- aids development and skills; and
- supports employee engagement.

Equal opportunities

The Group is committed to an active equal opportunities policy promoting an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. All decisions relating to employment practices will be objective, free from bias and based solely upon work criteria and individual merit. The Group is responsive to the needs of its employees, customers and the community at large. We are an organisation which uses everyone's talents and abilities and where diversity is valued.

Employees with disabilities

It is our policy that people with disabilities should have full and fair consideration for all vacancies and opportunities. We remain committed to maintaining the current open, fair and non-discriminatory recruitment process operated throughout the Group, and seek to have full engagement with any employee who becomes disabled during their employment.

Sharesave

The Group operates a Sharesave scheme in which all UK-based employees are entitled to participate. The Group recognises that the scheme is a well-established method of employee engagement, facilitating ownership in the Group.

Development overview of year

This has been another good year in developing our people at all levels.

The Group Wide Senior Leadership Development Programme concluded in February 2017 with the presentation of Strategic Business Projects to the CEO and Managing Directors. Detailed feedback was obtained which clearly demonstrated achievement of the initial programme objectives. We intend to continue our successful working relationship with the Brathay Trust on future development programmes.

The Carrs Billington Branch Supervisors Development Programme concluded in January 2017 and detailed feedback from throughout the programme was collated which resulted in a further session chaired by the Managing Director to work with the supervisors regarding areas such as credit control, product knowledge, systems, customer service and pricing structures. One outcome from this was an increase in product knowledge training across the business.

A further outcome was a half day programme in customer service which has been delivered to over 280 Carrs Billington employees earlier in the year. The feedback from the programme has led to Regional Branch Managers requesting follow up training to expand on the learnings from the first session and to ensure implementation of the key learning points.

We believe that an employee's first impressions of an organisation have a significant impact on their integration within the team and their level of job satisfaction. As a result of this we have introduced a Carr's Group induction programme as an opportunity to welcome all new recruits, regardless of position, to help them settle in and ensure they have the knowledge and support needed to thrive at work.

It is important to us that induction is not just treated as a 'tick box' exercise, but is seen as a great opportunity to introduce new employees to the culture and ways of working of the business. We all need to invest time in inducting new employees to help them settle in, become productive more quickly and to take our business forward.

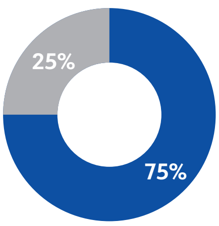
The programme covers the following areas:

- Company History;
- Company Structure;
- Vision, Strategy and Values;
- The Way We Work;
- Health and Safety; and
- Customer Service.

As part of our ongoing commitment to supporting professional development, we have run three Management Development Programmes throughout 2017 for Line Managers to enhance their management skills.

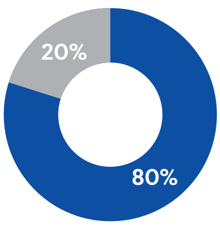
The programme includes essential modules that help managers increase their level of knowledge and implement effective workplace principles and practices.

Module 1	Roles and Responsibilities in Leadership and Management
Module 2	Problem Solving and Decision Making
Module 3	Communication and Crucial Conversations
Module 4	Conflict and Conducting Disciplinary Meetings
Module 5	Performance Management and PDR's
Module 6	Communication and Effective Behaviours in Meetings



The Group employs, 1,014 people*. The split is as follows:

757 Men
257 Women



Senior Managers and Executives, male and female*:

12 Men
3 Women

*As at 2 September 2017.

Corporate Responsibility *continued*

HEALTH AND SAFETY

The Group remains fully committed to the maintenance of high standards of health and safety for all of its employees, visitors, customers, and any others who may be affected by the activities of its businesses. Health and safety is continually monitored and the Group strives to make progressive improvements.

The CEO, Group FD and Group Risk Manager meet monthly in advance of each Board meeting to review health and safety which is a permanent high-agenda item. Every Board meeting involves a detailed review of statistics, auditing activity and other initiatives as well as ensuring the Board are alerted to key risk management and legislative changes. The Board also endorses an ongoing programme of improvements.

Since his appointment as a Non-Executive Director in 2015, Ian Wood has closely overseen health and safety across the Group at Board level providing support to the Executive Directors and Group Risk Manager. This has helped the Group deliver its programme of improvements and ensure that policies and practices are in line with the recommendations of the Institute of Directors and HSE.

The Group Risk Manager continuously monitors safety performance to ensure there is a high standard of health and safety management across all Group businesses. This includes a rolling programme of site audits.

The overall number of accidents for the Group as a whole, including the overseas businesses, was 44, a reduction of 1 on the 45 recorded the previous year (excluding Carr's Flour Mills Ltd).

The number of RIDDOR reportable injuries and overseas equivalents has however increased to 4 from 2 the previous year. The number of days lost in the year arising from these was consequently 57, an increase from 25 the previous year.

During 2016-2017 there have been several Health and Safety training initiatives in both the UK and overseas which will help lay the foundations for future improvement and a reduction in accidents.

The Board is committed to improving standards of health and safety and remains confident the overall trend of reduction in accident numbers seen in recent years will continue.

SUSTAINABILITY

As a Group, we are committed to improving our environmental impact and continue to make progress towards our target of achieving a 25% reduction in our carbon footprint by 2020 (against our 2012 baseline). The Group's Environmental Committee meets four times each year with active representation from UK subsidiaries across the Group.

Through continued investment in state of the art equipment, energy efficient lighting and in improving processes, the Group continues to reduce its carbon generation. The Group wide Environmental Reporting System is fully operational for both UK and overseas subsidiaries. Each subsidiary and business location reports the following monthly data and performance against pre-set benchmarks:

- Energy and Carbon Generation;
- Water Utilisation;
- Waste Generation and Recycling;
- Transport Fuels; and
- Environmental Legislation/Compliance.

During 2015 the Group undertook a full Energy Audit in accordance with the mandatory Energy Savings Opportunity Scheme (ESOS), and the findings and energy saving opportunities identified from the audit were presented to the CEO and duly signed off as required by law. We have already adopted many of the recommendations highlighted in that report, and will continue with our programme of implementation, which has resulted in progressive improvements to the Group's environmental impact. A second ESOS Energy Audit will be undertaken by the Group before December 2019.

During 2017, and in light of the results from our ESOS Energy Audit, we carried out a comprehensive review of how energy data is collected across the Group in order to ensure that the data we collect is accurate, readily comparable and consistently recorded. That review has helped improve the manner in which data is collected and can be reported.

All Engineering and Manufacturing sites across the UK within the Group now purchase their energy from Haven Power Limited which, during the 12 months ended 31 March 2017, sourced 77.8% of its electricity from renewable sources.*

*Haven Power Limited Annual Disclosure Statement 2017

Carbon Generation Report

The Group did not generate any additional greenhouse gases other than Carbon Dioxide (CO_2) from the utilisation of grid supplied electricity and natural gas during the year ended 2 September 2017.

The energy intensive UK feed block business continued to be in receipt of Climate Change Discount Agreements in exchange for target carbon reductions. Those targets were met by the business during the year.

The table below details the CO_2 generation of each of the Group's divisions and compares volumes against the previous year.

Carr's Group – Carbon CO_2 Generation 2016/17 v 2015/16

Division	CO_2 Tonnes 2016/17	CO_2 Tonnes 2015/16
UK Agriculture	1,815	1,850
Overseas Agriculture	10,789*	9,393
UK Engineering	944	898
Overseas Engineering	234	197
Head Office	52	52
Sub Total	**13,834**	**12,390**
Transport	2,858	4,405**
Total	**16,692**	**16,795****

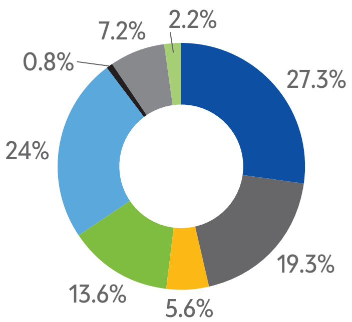
*Includes additional plant at Silver Springs, USA
**Data for 2015/16 included transport within Carr's Flour Mills Ltd

Energy Utilisation

The table below details overall electricity and gas consumption across the Group in the year ended 2 September 2017.

Annual UK Group Electricity Consumption for 2016/17	3,872,459 kWh
Group Overseas Electricity Consumption for 2016/17	4,698,190 kWh
Annual UK Group Gas Consumption for 2016/17	6,542,422 kWh
Group Overseas Gas Consumption for 2016/17	49,525,318 kWh
Total Other Fossil Fuel Consumption for 2016/17	10,672,913 kWh

Total UK Energy by Trading Division



Transport Fuels

During the year ended 2 September 2017 the Group utilised 1,067,984 litres of diesel and petrol fuel for fleet vehicles and company cars throughout its UK operations. The amount of CO_2 generated from this fuel consumption was 2,858 tonnes, down from 4,405* tonnes in the previous year.

Total CO_2 Generated by the Group

The total amount of CO_2 generated across the Group during the year ended 2 September 2017 was 16,692 tonnes, down from 16,795 tonnes in the previous year.*

*2016 figures included Carr's Flour Mills Ltd. 2017 figures include additional feed block plant at Silver Springs, USA

Intensity Metric

Due to the diverse nature of operations across the Group, we have determined that measuring tonnes of CO_2 generated against total number of employees represents the best Key Performance Indicator for measuring improvements in Group-wide carbon footprint. For the year ended 2 September 2017, the intensity metric stood at 16.5 tonnes of CO_2 per employee (being 16,692 tonnes/1,014 employees), which is down 31.3% from 24.3 tonnes of CO_2 per employee in 2016.

The CO_2 emissions data is reported in metric tonnes. The CO_2 emissions data has been calculated on the basis of measured energy and fuel use and multiplied by relevant CO_2 conversion factors, as approved by the Department of Energy. Fuel and energy use are based on direct measurement verified through purchase invoices for the vast majority of our sites and collected centrally for the entire Group.

Environmental Protection

We remain committed to protecting the environment and reducing the impact of our business through best practice. Large manufacturing sites across the Group continue to operate within the emission levels set by the UK Environment Agency and their current permit conditions. All sites operate within the framework of a full Environmental Management System.

All employees across the Group are actively encouraged to reduce waste and improve energy efficiencies and we carefully monitor waste and recycling across the businesses. We have a strict Group Environmental Policy which is managed by the Group's Environmental Committee. Waste and energy consumption targets are set for each business across the Group annually.

During the year ended 2 September 2017 the amount of waste disposed to landfill across the Group reduced by 9.1% and the amount of waste recycled increased by 39.6%. We were able to reduce overall water consumption across the Group by 10.9%. The Group will continue to monitor these statistics and set targets for improvement as part of its commitment to reducing its environmental impact.

COMMUNITY

We take an active role in supporting the communities in which we operate. During 2017, that support has taken a variety of forms including charitable monetary donations, fundraising and voluntary work.

Carrs Billington continues to be part of Zeus Packaging Group's global initiative to support children's charities in Ireland, the UK, Spain, Portugal, New Zealand and Australia. This has seen Carrs Billington be provided with the exclusive distribution rights of Zeus Purple Silage wrap and Purple Netwrap in the UK to support WellChild, the national charity for sick children.

In addition to the proceeds raised by Carrs Billington, we launched another competition in 2017 to support WellChild which required farmers to create eye-catching displays from their purple hay bales customised with accessories. Farmers taking part submitted photos of their creations, which were then displayed on social media.

The Group maintains its relationship with Carlisle Youth Zone, which continues to serve the social, recreational and emotional needs of young people in the Carlisle area.

In 2017 we participated in the Dream Placement Programme, developed by the Centre for Leadership Performance, designed to give young people industry experience and an insight into the work of senior management and leaders of leading Cumbrian businesses.

Corporate Governance Report

CHRIS HOLMES
CHAIRMAN

> **"Good governance is central to the integrity, reputation and performance of Carr's. The Board remains committed to maintaining high standards."**

CHAIRMAN'S OVERVIEW

The Group's governance framework is designed to safeguard its long-term success for the benefit of shareholders and other stakeholders. It continues to evolve as the Group develops and promotes transparency, respect and accountability. It ensures that the Board can operate in a culture of openness which, coupled with its wealth of expertise and the collaborative attitude which permeates the Group, optimises its effectiveness.

The Board is pleased to describe its approach to governance in the following report, which describes how the Group has integrated the main principles of the UK Corporate Governance Code (the "Code").

During the year, the Board reviewed its membership of the Audit and Remuneration Committees in the light of comments received from certain shareholders. As a result, I stood down from both Committees which are now comprised exclusively of Non-Executive Directors that are considered by the Board to be independent. I am pleased to report that as a result the Board now considers that it is in full compliance with the Code.

Chris Holmes

CHRIS HOLMES DL
Chairman
22 November 2017

STATEMENT OF COMPLIANCE WITH UK CORPORATE GOVERNANCE CODE

The UK Corporate Governance Code dated April 2016 and issued by the Financial Reporting Council sets out standards of good practice in relation to issues such as:

- Board composition and effectiveness;
- the role of Board committees;
- risk management;
- remuneration; and
- relationships with shareholders.

We are required to state how we have applied the principles contained in the Code and explain any areas where compliance has not been possible during the year. The Board considers that the Company has, during the year ended 2 September 2017, complied with the requirements of the Code save paragraphs C.3.1 and D.2.1 (as is more particularly described below) which had not been fully complied with whilst Chris Holmes remained a member of the Audit and Remuneration Committees.

THE BOARD

The Directors have a collective duty to promote the long term success of the Company for its shareholders. In determining long-term strategy and objectives of the Group, the Board is mindful of its duties and responsibilities to shareholders as well as employees and other stakeholders. The Board reviews management and financial performance, and monitors strategic delivery and achievement of business objectives.

The Board's time can be grouped into six key areas as outlined below. A portion of the Board's time is also spent on administrative matters.

Strategy
- Setting strategic targets.
- Reviewing new business developments and opportunities including potential acquisitions.
- Research and technology.

Finance
- Budget approval.
- Monitoring financial performance.
- Oversight of the preparation and management of the financial statements.
- Dividend policy.
- Pensions strategy.

Risk
- Group's risk and internal control framework.

Stakeholder engagement
- AGM and other shareholder feedback.
- Investor calls, meetings and roadshows.

Governance
- Legal updates and new disclosure requirements.
- Internal Board review.
- Succession planning.

Safety
- Health and Safety monthly updates and management review.

The powers of the Directors are set out in the Company's Articles of Association. The Directors are aware of their legal obligations and responsibilities that must be considered when exercising those powers, including those arising under the Companies Act 2006.

During the year ended 2 September 2017, the Board comprised of two Executive Directors, a Non-Executive Chairman, and three Non-Executive Directors. There is a Company Secretary to the Board. The biographies of the Board can be found on page 21.

The Board met 12 times throughout the year. In addition to regular scheduled meetings, unscheduled supplementary meetings may also take place as and when necessary. During this financial year there was one unscheduled meeting in relation to the acquisition of NuVision Engineering, Inc. Directors who are unable to attend a particular meeting receive relevant briefing papers and are given the opportunity to discuss any issues with the Chairman, the Chief Executive or the Group Finance Director.

To enable the Directors of the Board to carry out their responsibilities, all Directors have full and timely access to all relevant information. The Board maintains a schedule of matters reserved for the Board which is reviewed against best practice. A summary of those matters is set out below and a full schedule is available on the Company's website.

The Board is responsible for:

- the Group's strategy;
- acquisitions and divestment policy;
- corporate governance, risk and environment policy and management;
- approval of budgets;
- general treasury policy;
- major capital expenditure projects;
- dividend policy; and
- monitoring the Group's profit and cash flow performance.

The Board has delegated its authority to the Audit, Remuneration, and Nominations Committees to carry out certain tasks as defined in their written terms of reference approved by the Board; these are also available on the Company's website.

The Code stipulates that there should be a clear division of responsibility between Board governance and executive management.

The Chairman is responsible for:

- setting the Board agenda;
- the leadership of the Board and ensuring its effectiveness on all aspects of its role;
- providing strategic insight from his long business experience in the industry and with the Company; and
- providing a sounding board for the Chief Executive on key business decisions and challenging proposals where appropriate.

The Chief Executive is responsible for:

- the day-to-day management of the Group's business;
- leading the business and the rest of the management team in accordance with the strategy agreed by the Board;
- leading the development of the Group's strategy with input from the rest of the Board;
- leading the management team in the implementation of the Group's strategy; and
- bringing matters of particular significance to the Chairman for discussion and consideration by the Board if appropriate.

Elections

The Company's Articles of Association provide that one third of the Directors retire by rotation each year at the Annual General Meeting, however, the Company considers it best practice to require all the Directors to retire and stand for re-election annually.

Attendance and Agenda

In advance of all Board meetings the Directors are supplied with detailed and comprehensive papers covering the Group's strategy, performance and operations. Members of the executive management teams of businesses within the Group attend from time to time and make presentations. The Company Secretary is responsible to the Board for the timeliness and quality of information.

Details of the number of meetings of, and members' attendance at, the Board, Audit, Remuneration and Nominations Committees during the period are set out in the table at the foot of this page.

Support

Directors can obtain independent professional advice at the Company's expense in performance of their duties as Directors. None of the Directors obtained independent professional advice in the period under review. All Directors have access to the advice and the services of the Company Secretary. In addition to these formal roles, the Non-Executive Directors have access to senior management across the Group either by telephone or via involvement at informal meetings.

DIRECTORS' CONFLICTS OF INTEREST

The Companies Act 2006 and the Company's Articles of Association require the Board to consider any potential conflicts of interest. The Board has a policy and procedures for managing and, where appropriate, authorising actual or potential conflicts of interest. Under those procedures, Directors are required to declare all directorships or other appointments to organisations that are not part of the Group and which could result in actual or potential conflicts of interest, as well as other situations which could result in a potential conflict of interest.

MEETING ATTENDANCE

	Board	Audit Committee	Remuneration Committee	Nominations Committee
No. of meetings	12	3	3	1
Chris Holmes	12	3	3	1
Tim Davies	12	3*	2*	1*
Neil Austin	12	3*	2*	N/A
Alistair Wannop	11	3	3	1
John Worby	12	3	3	1
Ian Wood	12	3	3	1

*Part of the meeting by invitation

Corporate Governance Report *continued*

The Board is required to review Directors' actual or potential conflicts of interest at least annually. Directors are required to disclose proposed new appointments to the Chairman before taking them on, to ensure that any potential conflicts of interest can be identified and addressed appropriately. Any potential conflicts of interest in relation to proposed directorships are considered by the Board prior to their appointment. In this financial year there have been no declared conflicts of interest.

BOARD EVALUATION

During 2017 the Board conducted an independent review facilitated by Independent Audit Limited which built upon the internal review conducted during 2016 and the previous external review in 2013. The review covered the whole Board together with its Audit, Nominations and Remuneration Committees which were each considered separately. Particular focus was given to the effectiveness and appropriateness of the composition of the Board and of the Committees. Scrutiny was also applied to the question of the independence of Non-Executive Directors.

The review commenced with discussions between Independent Audit and the Chairman and Company Secretary. Those discussions led to the design of detailed and bespoke questionnaires which were subsequently disseminated to the Board, certain other senior executives and, in the case of the evaluation of the Audit Committee, the Company's auditors (PwC). The questionnaires were completed, entirely in confidence, and a draft report was produced by Independent Audit analysing the feedback provided. Following further discussions between Independent Audit and the Chairman and Company Secretary, a full report was produced and presented to the Board by Independent Audit.

The report drew positive conclusions including that the Board and its Committees were performing effectively and are appropriately constituted. It went on to make recommendations for further continued improvements including the planning of agendas to include further business-specific reviews and increasing the focus on succession planning and people issues more generally. The Board noted that improvements continue to be made to the Group's governance framework and that matters highlighted in the 2013 and 2016 reviews had been addressed.

The Board will continue to make improvements where necessary and appropriate to ensure that governance arrangements remain effective as the Group continues to develop. An internal review will take place during the current financial year.

The report also confirmed the Board's views in relation to Non-Executive Director independence. This was given greater focus due to the tenure of Alistair Wannop being in excess of nine years. The report did not highlight any issues or concerns in relation to the independence of any Directors and confirmed the Board's view that independence cannot be determined solely by reference to the tenure of any Director, particularly in the absence of any other circumstances or matters (including those detailed at paragraph B.1.1. of the Code) which could give rise to independence being questioned. The Board noted that Alistair Wannop had no material business relationships with the Company, does not hold a significant shareholding or represent any shareholder, does not have any family connections with the Company, and has not served the Company in any capacity other than as a Non-Executive Director. The Board was entirely satisfied that Alistair Wannop continued to exercise the level of objectivity and challenge that would be expected of an independent Non-Executive Director and that his knowledge of the Group and the markets in which it operates was of enormous benefit to the Board. The Board is accordingly satisfied that Alistair Wannop, Ian Wood and John Worby remain independent. The question of Non-Executive Director independence is a matter which is kept under review and assessed annually by the Board.

The Chairman evaluated the performance of the Directors through informal discussions and observations. The Senior Independent Non-Executive Director and the other Non-Executive Directors have met, without the Chairman present, to appraise his performance.

Overall the Board considered the performance of each Director to be effective and concluded that the Board and its Committees provide effective leadership and that appropriate governance and controls are in place. The Board will continue to review its procedures, effectiveness and development in the future.

BOARD COMMITTEES

As is detailed below, changes were made during 2017 to the composition of the Audit and Remuneration Committees to ensure compliance with the Code.

Audit Committee

The Audit Committee's key function is to review the effectiveness of the Company's financial reporting and performance of the external auditor.

The Audit Committee comprises three Non-Executive Directors: John Worby (Chairman), Ian Wood and Alistair Wannop. During the year the Committee also included Chris Holmes who ceased to be a member owing to the requirement under the Code that the Committee is comprised solely of independent Non-Executive Directors. The Board considers that the Committee meets the requirements of the Code and is appropriate for a company its size. In particular, the three members bring financial, agricultural and engineering experience to the Committee together with a good understanding of the businesses within the Group and the risks that they face. The work, responsibilities and governance of the Audit Committee are set out on pages 30-32. The Chairman of the Audit Committee will be available at the AGM to answer any shareholder questions on the Committee and its activities.

Remuneration Committee

The Remuneration Committee comprises three Non-Executive Directors: Ian Wood (Chairman), John Worby and Alistair Wannop. During the year the Committee also included Chris Holmes who ceased to be a member owing to the requirement under the Code that the Committee is comprised solely of independent Non-Executive Directors. Alistair Wannop held the position of Chairman until September 2017 when Ian Wood took over having served on the Committee for in excess of one year. The work, responsibilities and governance of the Remuneration Committee are set out on pages 33-43. The Chairman of the Remuneration Committee will be available at the AGM to answer any shareholder questions on the Committee and its activities.

Nominations Committee

During the year the Nominations Committee comprised of Chris Holmes (Chairman), Alistair Wannop, John Worby and Ian Wood. The work, responsibilities and governance of the Nominations Committee are set out on pages 44-45.

The Chair of the Nominations Committee will be available at the AGM to answer any shareholder questions on the Committee and its activities.

RELATIONS WITH SHAREHOLDERS

The Board recognises and values the importance of good communications with all shareholders. The Group maintains dialogue with substantial and institutional shareholders and analysts, and hosts presentations on the preliminary and interim results. Shareholders have access to the Company's website at www.carrsgroup.com and its investor website at investors.carrsgroup.com.

We engage with our shareholders through regular communications. Significant matters relating to trading or development of the business are disseminated to the market by way of Stock Exchange announcements. We announce our financial results on a six monthly basis with all shareholders provided with our half year statement, and we produce trading updates during the year. All reports and updates are made available on the Company's investor website.

The Annual General Meeting (AGM) provides all shareholders with the opportunity to develop further their understanding of the Company. It is the principal forum for all the Directors to engage in dialogue with private investors. All shareholders are given the opportunity to raise questions on any matter at the meeting. The Group aims to send notices to shareholders at least 20 working days before the meeting, as required by the Code, and it is the Company's practice to indicate the proxy voting results on all resolutions at the meetings. Following the AGM the voting results for each resolution are published and are available on the Company's website.

FAIR, BALANCED AND UNDERSTANDABLE

The Directors have also reviewed the financial statements and taken as a whole consider them to be fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

INTERNAL CONTROL

The Board of Directors has overall responsibility for the Group's system of internal control and for reviewing its effectiveness, including: financial, operational and compliance controls and risk management, which safeguard the shareholders' investment and the Group's assets. Such systems can only provide reasonable and not absolute assurance against material misstatement or loss, being designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Board of Directors is not aware of any significant losses caused by breaches of internal control in the year.

The Group operates within a clearly defined organisational structure with established responsibilities, authorities and reporting lines to the Board. The organisational structure has been designed in order to plan, execute, monitor and control the Group's objectives effectively and to ensure that internal control becomes embedded in the operations. The Board confirms that the key on-going processes and features of the Group's internal risk based control system, which accord with the Turnbull guidance, have been fully operative throughout the year and up to the date of the Annual Report being approved. These include: a process to identify and evaluate business risk; a strong control environment; an information and communication process; a monitoring system and a regular Board review for effectiveness. The Group Finance Director is responsible for overseeing the Group's internal controls.

The Group's internal controls systems cover controls over the financial reporting process, including monthly reporting from subsidiaries, its associates and joint ventures. This reporting is subject to detailed review by the Chief Executive and the Group Finance Director and detailed validation by the Group finance team, and forms the basis for information presented to and reviewed by the Board. All monthly reporting is prepared in line with Group accounting policies, which are reviewed annually and are also subject to review by the external auditors.

The management of the Group's businesses identified the key business risks within their operations, considered the financial implications and assessed the effectiveness of the control processes in place to mitigate these risks. The Board reviewed a summary of the findings and this, along with direct involvement in the strategies of the businesses, investment appraisal and budgeting process, enabled the Board to report on the effectiveness of internal control. A summary of the risk management framework and key risks to the business are set out on pages 14-16.

COMPLIANCE WITH THE CODE

The Board considers that it complied with the Code throughout the year, with the exception of the following:

- C.3.1. requires the Board's Audit Committee to be comprised of at least two Non-Executive Directors who are considered to be independent and provides that the Chairman may be a member if independent upon appointment. Until September 2017 Chris Holmes was a member of the Audit Committee despite not meeting the independence criteria upon his appointment as Chairman. Such membership was previously considered appropriate given that two Non-Executive Directors were appointed during 2015. Chris Holmes is no longer a member of the Audit Committee which is now comprised solely of Non-Executive Directors considered by the Board to be independent.
- D.2.1. requires the Board's Remuneration Committee to be comprised of at least two Non-Executive Directors who are considered to be independent and provides that the Chairman may be a member if independent upon appointment. Until September 2017 Chris Holmes was a member of the Remuneration Committee despite not meeting the independence criteria upon his appointment as Chairman. Such membership was previously considered appropriate given that two Non-Executive Directors were appointed during 2015. Chris Holmes is no longer a member of the Remuneration Committee which is now comprised solely of Non-Executive Directors considered by the Board to be independent.

By order of the Board

MATTHEW RATCLIFFE
Company Secretary
Carlisle
CA3 9BA
22 November 2017

Audit Committee Report

JOHN WORBY
CHAIRMAN OF THE AUDIT COMMITTEE

> “We have placed significant focus on Engineering and on accounting for the recent acquisitions.”

INTRODUCTION

On behalf of the Audit Committee, I am pleased to present this report to shareholders. The purpose of the report is to highlight the areas that the Committee has reviewed and how we have discharged our responsibilities effectively during the year.

RESPONSIBILITIES

The key responsibility of the Committee is to provide effective governance over the appropriateness of the Company's financial reporting.

Under its terms of reference, the Committee is required, amongst other things, to:

- monitor the integrity of the financial statements of the Company including the appropriateness of the accounting policies adopted and whether the Annual Report was fair, balanced and understandable;
- review, understand and evaluate the Company's internal financial risk, and other internal controls and risk management systems;
- appraise the Board on how the Company's prospects are assessed;
- oversee the relationship with the external auditors, making recommendations to the Board in relation to their appointment, remuneration and terms of engagement;
- monitor and review the effectiveness of the external audit including the external auditors' independence, objectivity and effectiveness and to approve the policy on the engagement of the external auditors to supply non-audit services; and
- keep under review the requirement for and extent of internal audit activities in the Company.

The terms of reference can be found on the Company's website www.carrsgroup.com.

MEETINGS

The Audit Committee met three times during the year (see page 27), and has an agenda linked to the Group financial calendar. It invites the Chairman, the Chief Executive, the Group Finance Director, the Group Financial Controller and the external auditors to attend its meetings. The Committee met with the external auditors at the conclusion of the audit without the Executive Directors being present.

The Committee has met once since the end of the financial year to consider the results and the Annual Report for the year ended 2 September 2017.

In addition to its Chairman, the Audit Committee comprises Ian Wood and Alistair Wannop. Chris Holmes stood down as a member of the Audit Committee in 2017 as explained on page 28.

MAIN ACTIVITIES DURING THE YEAR

Set out below is a summary of the key areas considered by the Committee during the year and up to the date of this report.

FINANCIAL REPORTING

During the year the Audit Committee reviewed reports and information provided by both the Group Finance Director and the external auditors in respect of the half year and annual financial report.

An important responsibility of the Audit Committee is to review and agree significant estimates and judgements made by management. To satisfy this responsibility, the Committee reviewed a written formal update from the Group Finance Director on such issues at the two meetings that reviewed the half year and year end results, as well as reports from the external auditors. The Committee carefully considered the content of these reports in evaluating the significant issues and areas of judgement across the Group.

The key areas of judgement in the year were as follows:

- The assumptions adopted for the accounting valuation of our defined benefit pension scheme. The Committee concluded that the assumptions used were appropriate;
- Potential impairment of assets including goodwill particularly in relation to the UK Engineering businesses of Bendalls and Chirton, given the performances of these businesses in the year. The performance of Bendalls had been impacted by a significant contract delay and losses on certain other contracts however, in the light of the delayed contract coming back on stream, other contracts won in the year and improvements made to controls in the business, the Committee determined that no impairment was required. In relation to Chirton, the committee concurred with the need to impair the goodwill of £4.2m by £1.7m. In reaching this conclusion, the Committee was satisfied that the recovery in performance required to support the remaining goodwill was reasonably achievable;
- Provisioning policies in relation to accounts receivable, particularly in the Agriculture division. The Committee determined that the judgements made were appropriate to justify the provisions held at 2 September 2017;
- Provisioning policies in relation to contractual disputes. The Committee determined that the judgements made were appropriate to justify the provisions held at 2 September 2017;
- Accounting for long term contracts. The Committee reviewed performance on certain contracts in the UK Engineering business that were only part complete at the year end and agreed with management's judgements; and
- The valuation of certain intangible assets and goodwill of STABER and NuVision following their acquisition in October 2016 and August 2017 respectively. The Committee concluded the valuations were appropriate.

The Committee, further to the Board's request, has reviewed the annual report and financial statements with the intention of providing advice to the Board on whether, as required by the Code, 'the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy'.

To make this assessment, the Committee reviewed a report prepared by the Group Finance Director outlining the relevant key matters worthy of consideration. The Committee also considered and was satisfied that all the key events and issues which have been reported to the Board in the CEO's monthly reports during the year, both good and bad, have been adequately referenced or reflected within the annual report.

The Committee has also reviewed the Group's going concern and viability statement disclosures. It received a written report prepared by the Group Finance Director which enabled it to review the base assumptions and various sensitised scenarios throughout the forecast period. The Committee was comfortable with the disclosures made.

INTERNAL CONTROL AND RISK MANAGEMENT

During the year the Committee reviewed the effectiveness of the Group's internal control and risk management systems.

Given the changing nature of the Group's engineering activities, it commissioned a specific internal controls report on the UK Engineering business during the year. The report recommended some improvements in controls to support the greater level of complexity in the business, which are in the process of being implemented.

The Committee reported to the Board that it had reviewed and, subject to implementation of the improved controls in the UK Engineering business referred to in the previous paragraph, was satisfied with the effectiveness of the Company's internal control and risk management systems. The Committee noted the significant progress made in implementing a more integrated risk and assurance framework and, in the light of this, has established a plan for further improvements in the oversight of the assurance activities in the year ahead.

EXTERNAL AUDIT

The Audit Committee is responsible for recommendations for the appointment, reappointment or removal of external auditors and for approval of their remuneration.

PricewaterhouseCoopers LLP (PwC) and its predecessor firms have been the Auditor for Carr's Group plc since 1909. The Audit Committee assesses annually the qualification, expertise and independence of the auditors and the effectiveness of the audit process. PwC's current engagement partner is Bill MacLeod, and he has been in place since September 2013.

Following approval by shareholders to re-appoint PwC at last year's AGM, the Audit Committee reviewed and approved the terms of engagement and remuneration of the external auditors.

The Committee is planning to carry out a tendering process during the year ahead with a view to appointing a new auditor for the 2019 year end following the conclusion of the five year term of the current audit partner. This will comply with EU/FRC rotation requirements.

AUDIT EFFECTIVENESS

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. PwC present their detailed audit plan to us each year identifying their assessment of these key risks.

Our assessment of the effectiveness and quality of the audit process and addressing these key risks is formed by, amongst other things, the reporting from the auditors and also seeking feedback from management on the audit process.

The Committee remain satisfied with PwC's performance and is of the view that there is nothing of concern that would impact the effectiveness of the external audit process.

Audit Committee Report *continued*

AUDITOR INDEPENDENCE

The Group meets its obligations for maintaining an appropriate relationship with the external auditors through the Audit Committee, whose terms of reference include an obligation to consider and keep under review the degree of work undertaken by the external auditor other than the statutory audit, to ensure such objectivity and independence is safeguarded.

In accordance with the Auditing Practices Board Ethical Standards, PwC has to implement rules and requirements which include that none of their employees working on our audit can hold any shares in Carr's Group plc. PwC is also required to tell us about any significant facts and matters that may reasonably be thought to bear on their independence or on the objectivity of the lead partner and the audit team. The lead partner in the audit team must change every five years.

The Audit Committee reviewed and approved the non-audit services policy, the objective of which is to ensure that the provision of such services does not impair, or is not perceived to impair, the external auditors' independence or objectivity. The policy imposes guidance on the areas of work that the external auditors may be asked to undertake and those assignments where the external auditors should not be involved. There is a further category of services for which a case-by-case decision is necessary.

In order to ensure that the policy is effective and the level of non-audit fees is kept under review, major work to be awarded to the audit firm must be agreed in advance by the Audit Committee Chairman. For the 2017 financial year end, the non-audit to audit services ratio was 0.05 : 1. Note 3 on page 68 provides further detail on non-audit service fees.

Historically, PwC undertook tax compliance activities for the Group. In compliance with regulatory changes which took effect in 2016, PwC did not undertake any such activities during the financial year ended 2 September 2017 as a result of which the Group appointed an alternative adviser.

Taking into account our findings in relation to the effectiveness of the audit process and in relation to the independence of PwC, the Committee is satisfied that PwC continues to be independent, and free from any conflicting interest with the Group. As a result, the Committee has recommended to the Board that PwC be proposed for reappointment at the forthcoming AGM in January 2018.

INTERNAL AUDIT

Consideration was given during the year to whether there should be an internal audit function within the Group. Following the acquisitions of NuVision and STABER it was determined by the Committee to be appropriate, given the increased diversity and geographic spread of the Group's Engineering division, for an internal audit function to be established. This function will be established and begin to operate during the 2017/18 financial year.

OTHER ACTIVITIES

The Committee also reviewed its terms of reference, its effectiveness, the Group's policies on whistleblowing, business ethics and on the prevention of bribery and modern slavery.

As Chairman of the Committee, I will be available at the Annual General Meeting to respond to any shareholder questions that might be raised on the Committee's activities.

JOHN WORBY
Audit Committee Chairman
22 November 2017

Remuneration Committee Report

IAN WOOD
CHAIRMAN OF THE REMUNERATION COMMITTEE

ANNUAL STATEMENT FROM THE CHAIR OF THE REMUNERATION COMMITTEE

On behalf of the Remuneration Committee I am pleased to present my first report to shareholders following my appointment as the Remuneration Committee Chairman.

The Committee's report is presented in the following sections:

1. This Annual Statement, which summarises the key decisions made by the Committee during the year and forms part of the Annual Report on Remuneration.
2. The Directors' Remuneration Policy, which sets out the Policy for the Executive Directors, Chairman and Non-Executive Directors. The Directors' Remuneration Policy will be put to a binding shareholder vote at the forthcoming AGM.
3. Annual Report on Remuneration, which sets out how the Remuneration Policy has been applied in 2016/17, the remuneration received by Directors for the year and how the policy will be applied in 2017/18. The Annual Report on Remuneration will be subject to an advisory shareholder vote at the AGM.

Proposed policy changes

The current Directors' Remuneration Policy was approved by shareholders at the January 2017 AGM, however, a number of shareholders voted against the policy or abstained. The Committee has been conscious of the level of support received at the last AGM and also feedback that has been received from shareholders in relation to the policy. Over the last year, the Committee has therefore spent time reviewing the policy against that feedback in conjunction with best practice and considering how this best fits with the Group. As result of this review the Committee has decided to make certain changes to the policy and put a revised Directors' Remuneration Policy to a binding vote at the next AGM. The Committee is proposing to introduce the following key changes:

- **Introduction of bonus deferral** – the Committee recognises the importance of bonus deferral in strengthening the alignment of Executive Directors with shareholder interests. Therefore the Committee has introduced a requirement for Executive Directors to defer 25% of any bonus earned into shares for 2 years.
- **2-year post-vesting holding requirement** – for Long-Term Incentive Plan ("LTIP") awards made in 2018 and in subsequent years, a 2-year post-vesting holding period will apply to Executive Directors.
- **Introduction of malus and clawback provisions** – the policy now includes malus and clawback provisions which will apply to both the annual bonuses and LTIP awards.
- **LTIP performance measures** – the current remuneration policy only allows for earnings per share (EPS) as the sole measure for assessing performance. The new policy allows for one or more additional measures to be introduced in the future; the Committee recognises a second measure would provide a useful balance but wishes to spend time considering what is right for the Group. The Committee will consult with shareholders prior to the introduction of any new performance measure. Awards granted in 2018 will continue to be subject to stretching EPS targets.

Performance and remuneration in 2016/17

As described in the Strategic report, the Group's financial performance in the year under review was disappointing. Whilst overall revenue increased to £346.2m (2016: £314.9m), reported profit before tax was down to £10.0m (2016: £14.1m) and adjusted Earnings Per Share was down to 8.9p (2016: 10.9p). Notwithstanding this financial performance, good progress was made towards achieving the Group's strategic targets and in positioning the business well for future growth. Performance outcomes are reflected in the remuneration received by Executive Directors and despite the strategic progress made by the Group, no annual bonus awards were made to Executive Directors in relation to the financial year ended 2 September 2017.
The performance period of the 2014 LTIP awards ended during the year but, because average adjusted EPS growth was below the threshold set by the Committee upon granting the awards, no long-term awards vested to Executive Directors.

How the new policy will be implemented in 2017/18

The Remuneration Committee continually reviews the Directors' Remuneration Policy to ensure it promotes the attraction, retention and incentivisation of high calibre executives to deliver the Group's strategy.

For 2017/18, the maximum annual bonus for the Executive Directors' will remain 100% of salary. 25% of any bonus will be deferred for two years. The Committee also intends to grant LTIP awards of 100% of salary, which will be based upon stretching EPS targets.

Salary increases were awarded to the Executive Directors effective 1 September 2017 of 2.5%. This is consistent with the rest of the workforce.

I hope that you are able to support the proposed changes to the policy at the forthcoming AGM.

Ian Wood

IAN WOOD
Chairman of the Remuneration Committee
22 November 2017

REMUNERATION POLICY

This part of the report sets out the Remuneration Policy for the Group and has been prepared in accordance with The Large and Medium sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (as amended). The policy report will be put to shareholders for approval at the AGM of the Company to be held on 9 January 2018 and, subject to approval, will take effect from that date.

The role of the Committee

The primary role of the Remuneration Committee is to make recommendations to the Board on the Company's policy for executive remuneration. The Committee also has delegated responsibility for determining the remuneration and benefits of the Chairman, the Executive Directors and the Secretary.

Key responsibilities include:

- determining the framework for the remuneration of the Executive Directors and Chairman;
- determining the total remuneration packages, authorise terms and conditions, and issue contracts for the Board;
- approving the design and determine the targets for performance related pay schemes of the Executive Directors;
- reviewing the ongoing appropriateness and relevance of the Remuneration Policy to ensure that is it aligned with the strategy of the Group;
- ensuring that the Group rewards fairly and responsibly, with clear links to both corporate and individual performance; and
- reviewing the design of any share incentive plans for approval by the Board and shareholders.

Overview of policy

When setting the policy for Directors' remuneration, the Committee takes into account the overall business strategy, considering the long-term interests of the Group, with the aim of delivering rewards to shareholders. The Directors' Remuneration Policy is ultimately designed to appropriately incentivise Executive Directors with a view to maximising shareholder value.

The Group's policy is that the overall remuneration packages offered should be sufficiently competitive to attract, retain and motivate high quality executives and to align the rewards of the Executive Directors with the progress of the Group, whilst giving consideration to salary levels in similar size quoted companies in similar industry sectors and views of shareholders.

The remuneration package is split into two parts:

- a non-performance related element represented by basic salary, benefit and pension; and
- a performance related element in the form of an annual bonus and a Long Term Incentive Plan.

KEY CHANGES TO THE POLICY

As outlined in the Committee Chairman's statement, and subject to approval at the AGM, the following changes will apply:

- Introduction of bonus deferral.
- 2-year post-vesting holding requirement for Long-Term Incentive Plan ("LTIP") awards made in 2018 and in subsequent years.
- Introduction of malus and clawback provisions.
- Consideration of the future introduction of one or more additional LTIP performance measures following prior consultation with leading shareholders.

CONSIDERATIONS OF CONDITIONS ELSEWHERE IN THE GROUP

In determining the remuneration of the Group's Directors, the Committee takes into account the pay arrangements and terms and conditions across the Group as a whole. The Committee seeks to ensure that the underlying principles which form the basis for decisions on Directors' pay are consistent with those on which pay decisions for the rest of the workforce are taken. For example, the Committee takes into account the general salary increase for the broader employee population when conducting the salary review for the Executive Directors.

However, there are some differences in the Executive Directors' Remuneration Policy compared to that for the wider workforce, which the Committee believes are necessary to reflect the differing levels of seniority and responsibility. A greater weight is placed on performance-based pay through the quantum and participation levels in incentive schemes to ensure the remuneration of the Executive Directors is aligned with the performance of the Group and the interests of shareholders.

CONSIDERATION OF SHAREHOLDER VIEWS

In formulating this policy, the Committee has taken into account guidance issued by shareholders and proxy agencies. The Committee noted comments made by proxy agencies prior to last year's AGM and that a number of shareholders voted against the Remuneration Policy or abstained. During the last year further discussions were held to understand these views. These views have been taken into account in the policy below. The Committee continues to welcome feedback from shareholders received at each AGM and any feedback received throughout the year.

REMUNERATION POLICY TABLE

Element	Purpose and link to strategy	Policy and approach	Opportunity
Base salary	To attract and retain the best talent. Reflects an individual's experience, performance and responsibilities within the Group.	Salary levels (and subsequent salary increases) are set taking into consideration a number of factors, including: • level of skill, experience and scope of responsibilities of individual; • business performance, economic climate and market conditions; • increases elsewhere in the Group; and • external comparator groups (used for reference purposes only). Salaries are normally reviewed annually with any increase effective 1 September each year.	There is no formal maximum; however, increases will normally align with the general increase for the broader employee population of the Group. More significant increases may be awarded from time to time to recognise, for example, development in role and change in position or responsibility. Current salary levels are disclosed in the Annual Report on Remuneration.
Pension	Provides a competitive and appropriate pension package.	Executive Directors are entitled to participate in a defined contribution pension arrangement or to receive a cash alternative to those contributions. Company contributions are up to 15% of base salary. To the extent that pension contributions exceed annual tax-free allowances, Executive Directors will be entitled to receive payment through ordinary payroll in lieu of pension contributions.	Up to 15% of base salary.
Benefits	To aid retention and remain competitive in the market place.	Benefits provided include permanent health insurance, private medical insurance and life assurance. Relocation benefits may also be provided in the case of recruitment of a new Executive Director. The benefits provided may be subject to minor amendment from time to time by the Committee within this policy. The Company may reimburse any reasonable business related expenses incurred in connection with their role (including tax thereon if these are determined to be taxable benefits).	Market rate determines value. There is no prescribed maximum level but the Remuneration Committee monitors the overall cost of benefits to ensure that it remains appropriate.

Element	Purpose and link to strategy	Policy and approach	Opportunity
Annual bonus	Designed to reward delivery of key strategic priorities during the year.	Bonus levels and appropriateness of performance measures and weighting are reviewed annually to ensure they continue to support our strategy. Bonuses are capped at 100% of base salary. 25% of any bonus earned will be deferred into awards over shares, with awards normally vesting after a two-year period. Performance is measured against stretching targets. These may include financial and non-financial measures. Financial measures will account for the majority and will typically include a profit related target. Performance targets will be disclosed retrospectively. The threshold level of bonus under each measure is 0%. The cash element of the bonus is usually paid in November each year for performance in the previous financial year. Dividends will accrue on deferral awards over the vesting period and be paid out either as cash or as shares on vesting and in respect of the number of shares that have vested. A malus and clawback mechanism applies in specific circumstances including in the event of a material misstatement of the Group's accounts and also for other defined reasons. These provisions apply to both the cash and deferred elements of the bonus.	Maximum of 100% of base salary.
Save As You Earn (SAYE)	To encourage employee involvement and encourage greater shareholder alignment.	An HMRC approved SAYE scheme is available to eligible staff, including Executive Directors.	The schemes are subject to the limits set by HMRC from time to time.
Long Term Incentive Plan (LTIP)	To motivate and incentivise delivery of sustained performance over the longer term, and to support and encourage greater shareholder alignment.	Annual awards of performance shares which normally vest after three years subject to performance conditions. Award levels and performance conditions required for vesting are reviewed annually to ensure they continue to support the Group's strategy. Awards are capped at the equivalent of 100% of base salary at the date of award. Awards up to and including the 2017 award are based solely upon an EPS measure. Awards from 2018 onwards will be based on an EPS measure and may also include one or more additional measures of performance. The Committee will consult with leading shareholders before introducing any new measures. 25% vests at threshold performance. There is straight line vesting between threshold and maximum. Two year post-vesting holding period applies to the net of tax shares for awards granted in 2018 and beyond. A malus and clawback mechanism applies in specific circumstances including in the event of a material misstatement of the Group's accounts and also for other reasons determined by the Committee.	Maximum of 100% of base salary.
Shareholding guidelines	To provide alignment with shareholder interests.	Executive Directors are required to build up a shareholding equivalent to 200% of base salary over a five year period.	N/A

CHAIRMAN AND NON-EXECUTIVE DIRECTORS REMUNERATION

Element	Purpose and link to strategy	Policy and approach	Opportunity
Non-Executive Director fees	To attract and retain a high-calibre Chairman and Non-Executive Directors by offering market-competitive fee levels.	Remuneration reflects: • the time commitment and responsibility of their roles; • market rate; and • that they do not participate in any bonus, pension or share based scheme. Our policy is for the Executive Directors to review the remuneration of Non-Executive Directors annually following consultation with the Chairman. The Chairman's remuneration is reviewed annually by the Remuneration Committee. The Chairman and the Non-Executive Directors are entitled to reimbursement of reasonable expenses. The Non-Executive Directors will not participate in the Group's share, bonus or pension schemes. Non-Executive Directors are engaged for terms of one year subject to appointment and reappointment at the Company's AGM.	Non-Executive Directors receive a single fee for all services to the Company. Levels of fee are reviewed annually with any increases normally aligning with general increases for the broader employee population of the Group.

REMUNERATION COMMITTEE DISCRETIONS

The Committee will operate the annual bonus plan and LTIP according to their respective rules. To ensure the efficient operation and administration of these plans, the Committee retains discretion in relation to a number of areas. This is consistent with market practice and these include (but are not limited to) the following:

- the participants;
- the timing of grant and/or payment;
- the size of grants and/or payments (within the limits set out in the Policy table);
- the determination of vesting based on the assessment of performance;
- the determination of a "good leaver" and where relevant the extent of vesting in the case of the share-based plans;
- treatment in exceptional circumstances such as a change of control;
- making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends);
- cash settling awards; and
- the annual review of performance measures, weightings and setting targets for the discretionary incentive plans from year to year.

The Committee also retains the ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose. Any varied performance condition would not be materially less difficult to satisfy in the circumstances.

PERFORMANCE MEASURES AND TARGETS

Our Group strategy and business objectives are the primary consideration when we are selecting performance measures for incentive plans. The annual bonus is based on performance against a stretching combination of financial and non-financial measures. Profit before tax reflects the Group's strategic objective to increase profit. In addition, Executive Directors are assessed on strategic objectives as agreed by the Committee at the beginning of the year. The LTIP is currently assessed against growth in adjusted Earnings Per Share as it rewards improvement in the Group's underlying financial performance and is a measure of the Group's overall financial success and is visible to shareholders.

Targets within incentive plans that are related to internal financial measures, such as profit, are typically determined based on our budgets. The threshold and maximum levels of performance are set to reflect minimum acceptable levels at threshold and very stretching but achievable levels at maximum. At the end of each performance period we review performance against the targets, using judgement to account for items such as changes in accounting treatment, foreign exchange rate movements and significant one-off transactions. The application of judgement is important to ensure that final assessments of performance are fair and appropriate. In addition, the Remuneration Committee reviews the bonus and incentive plan results before any payments are made to Executive Directors or any shares vest and has full discretion to adjust the final payment or vesting downwards if they believe the circumstances warrant it.

APPROACH TO RECRUITMENT REMUNERATION

The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's approved Remuneration Policy in force at the time of appointment.

Buy-out awards

In addition, the Committee may offer additional cash and/or share-based elements (on a one-time basis or ongoing) when it considers these to be in the best interests of the Group (and therefore shareholders). Any such payments would be limited to a reasonable estimate of value of remuneration lost when leaving the former employer and would reflect the delivery mechanism (i.e. cash and/or share-based), time horizons and whether performance requirements are attached to that remuneration.

Maximum level of variable pay

The maximum initial level of long-term incentives which may be awarded to a new Executive Director will be limited to the maximum Long Term Incentive Plan limit of 100% of base salary. Therefore the maximum initial level of overall variable pay that may be offered will be 200% of base salary (i.e. 100% annual bonus plus 100% Long Term Incentive Plan). These limits are in addition to the value of any buy-out arrangements which are governed by the policy above.

In the case of an internal appointment, any variable pay element awarded in respect of the prior role would be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other previously awarded entitlements would continue, and be disclosed in the next annual report on remuneration.

Base salary and relocation expenses

The Committee has the flexibility to set the salary of a new appointment at a discount to the market level initially, with a series of planned increases implemented over the following few years to bring the salary to the appropriate market position, subject to individual performance in the role.

For external and internal appointments, the Committee may agree that the Group will meet certain relocation expenses as appropriate.

Appointment of Non-Executive Directors

For the appointment of a new Chairman or Non-Executive Director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time.

EXECUTIVE DIRECTORS' TERMS OF EMPLOYMENT AND LOSS OF OFFICE

The Group's current policy is not to enter into employment contracts with any element of notice period in excess of one year. All Non-Executives are appointed for terms of 12 months and will stand for re-election annually at the Company's AGM. Copies of Executive Directors' service contracts and Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office during normal hours of business and will be available at the Company's AGM.

Dates of service contracts and first appointment to the Board for all Directors are given in the table below.

An Executive Director's service contract may be terminated summarily without notice and without any further payment or compensation, except for sums accrued up to the date of termination, if they are deemed to be guilty of gross misconduct or for any other material breach of the obligations under their employment contract.

The Group has the right to terminate contracts by making a payment in lieu of notice. Any such payment will typically reflect the individual's salary, benefits and pension entitlements. The Group has the ability to mitigate costs and phase payments, if alternative employment is obtained.

There will be no automatic entitlement to a bonus if an Executive Director has ceased employment or is under notice. However, the Committee may at its discretion pay a pro-rated bonus in respect of the proportion of the financial year worked. Such payment could be payable in cash and not subject to deferral.

Any share-based entitlements granted to an Executive Director under the Group's share plans will be treated in accordance with the relevant plan rules. Usually, any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, ill-health, injury, disability, redundancy, retirement with the consent of the Committee, or any other circumstances at the discretion of the Committee, "good leaver" status may be applied.

For good leavers under the LTIP, outstanding awards will vest at the original vesting date to the extent that the performance condition has been satisfied and be reduced on a pro-rata basis to reflect the period of time which has elapsed between the grant date and the date on which the participant ceases to be employed by the Group. For good leavers under the deferred bonus plan, unvested awards will usually vest in full upon cessation.

In determining whether a departing Executive Director should be treated as a "good leaver", the Committee will take into account the performance of the individual and Group over the whole period of employment and the reasons for the individual's departure.

In the event of a change of control resulting in termination of office, the Executive Directors are entitled to 12 months' base salary.

The Non-Executive Directors are not entitled to any compensation for loss of office.

	Date of service contract/ letter of appointment	Date first appointed to the Board
Executive Directors		
Tim Davies	18 October 2012	1 March 2013
Neil Austin	1 January 2013	1 May 2013
Non-Executive Directors		
Chris Holmes	31 August 2017	7 January 1992
Alistair Wannop	31 August 2017	1 September 2005
John Worby	31 August 2017	1 April 2015
Ian Wood	31 August 2017	1 October 2015

ESTIMATES OF TOTAL FUTURE POTENTIAL REMUNERATION FROM 2018 PAY PACKAGES

The tables below provide estimates of the potential future remuneration of each Executive Director based on the remuneration opportunity granted in the 2018 financial year. Potential outcomes based on different scenarios are provided for each Executive Director.

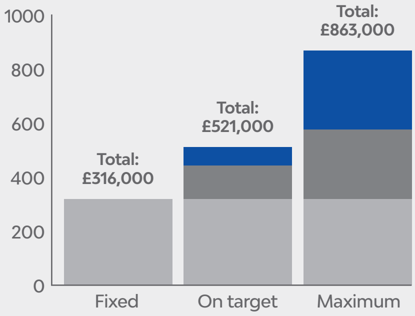
The assumptions underlying each scenario are described below.

Fixed	Consists of base salary, pension and other benefits. Base salaries are as at 1 September 2017. Benefits are valued using the figures in the total remuneration for the 2017 financial year table, adjusted for any benefits that will not be provided during 2018. Pensions are valued by applying the appropriate percentage to the base salary.

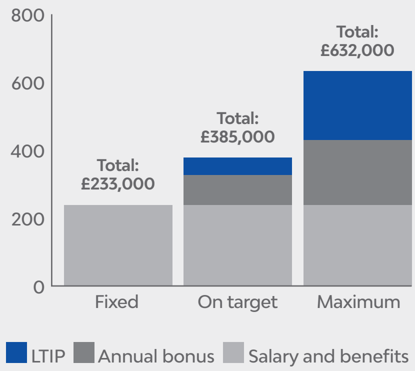
	Base £'000	Benefits £'000	Pension £'000	Total £'000
Tim Davies	274	1	41	316
Neil Austin	202	1	30	233

On target	Based on what a Director would receive if performance was in line with plan and the threshold level was achieved under the LTIP.
Maximum	Assumes that the full stretch target for the LTIP are achieved, and maximum performance is obtained under the annual bonus scheme.

Tim Davies, Chief Executive Officer



Neil Austin, Group Finance Director



ANNUAL REPORT ON REMUNERATION

This part of the Directors' Remuneration Report sets out a summary of how the Directors' Remuneration Policy was applied during 2016/17.

Remuneration Committee

The Remuneration Committee comprises Ian Wood (Chairman), John Worby and Alistair Wannop.

Chris Holmes stood down as a member of the Remuneration Committee in 2017 to ensure that it is comprised solely of Non-Executive Directors considered by the Board to be independent in accordance with the UK Corporate Governance Code 2016. As is further explained on page 28, Ian Wood took over from Alistair Wannop as Chairman of the Remuneration Committee in 2017. The Committee met on 3 occasions during the year with all members in attendance (see page 27).

The Executive Directors and the Chairman may attend meetings of the Remuneration Committee by invitation and in an advisory capacity only. No person attends any part of a meeting at which his or her own remuneration is discussed. The Chairman and the Executive Directors determine the remuneration of the other Non-Executive Directors. The Chair of the Committee will be available at the AGM to answer any shareholder questions on the Committee and its activities.

During the year the Committee considered:

- levels of basic pay for Executive Directors, the Chairman and senior management;
- the outcome of bonus arrangements for Executive Directors and senior management;
- the award of long term incentives for Executive Directors and senior management;
- overall remuneration of Executive Directors; and
- shareholder feedback in relation to prior bonus arrangements, long term incentives and remuneration policy.

2017 Remuneration

In this section we summarise the pay packages awarded to our Executive Directors for performance in the 2017 financial year versus 2016. The table at the top of the next page shows all remuneration that was earned by each individual during the year and includes a single total remuneration figure for the year.

2017 ANNUAL BONUS PAYOUT

The annual bonus uses a combination of financial and strategic performance targets which are set with regard to Group budget, historic performance, market outlook and future strategy.

50% of the bonus was based on Group adjusted profit before tax (PBT). The remainder of the financial targets were based upon the adjusted PBT generated by the two Group divisions excluding joint ventures and associates. Adjusted PBT is calculated as reported PBT after adding back or deducting amortisation and non-recurring items outside of normal trading that were not anticipated at the time targets were set, such as acquisition related costs. The Group is committed to disclosing its performance targets retrospectively save where this is prevented due to commercial sensitivities. For the year ended 2017, PBT targets were set in accordance with the table below.

	Threshold target £'000	Maximum target £'000
Agriculture	10,117	10,484
Engineering	3,664	3,797
Group	14,199	14,714

Remuneration Committee Report *continued*

DIRECTOR REMUNERATION 2016/2017 (AUDITED INFORMATION)

	Salary/Fees		Benefits[1]		Bonus		LTIP[2]		Pension		Total	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
Executive Directors												
Tim Davies	**267**	264	**1**	1	**0**	145	**0**	81	**40**	40	**308**	531
Neil Austin	**197**	195	**1**	1	**0**	107	**0**	60	**30**	29	**228**	392
Non-Executive Directors												
Chris Holmes	**78**	77	—	—	—	—	—	—	—	—	**78**	77
Alistair Wannop	**37**	37	—	—	—	—	—	—	—	—	**37**	37
John Worby	**37**	37	—	—	—	—	—	—	—	—	**37**	37
Ian Wood	**37**	34[3]	—	—	—	—	—	—	—	—	**37**	34
Robert Heygate	—	25[4]	—	—	—	—	—	—	—	—	—	25

[1] Benefits consist of private medical insurance

[2] The performance period for the 2014 LTIP awards ending during 2017 with no shares vesting owing to the performance threshold not being met

[3] Ian Wood joined the board in 2016 and therefore 2016 represents an 11 month period – prorated would be £37,000

[4] Robert Heygate stepped down from the board in 2016 and therefore 2016 represents an 8 month period – prorated would be £37,000

If the Group overall generated adjusted PBT of £14.9m then, regardless of individual divisional performance, then the maximum bonus would be payable. Upon the minimum bonus thresholds being met, annual bonus payments are calculated in accordance with the table below. Payments are adjusted on a straight line basis between the threshold and maximum PBT targets.

	Threshold bonus	Maximum bonus
Agriculture	6%	15%
Engineering	6%	15%
Group	12%	50%
Strategic targets	0%	20%

For the year ended 2 September 2017, adjusted PBT for the Group was as follows.

	Adjusted PBT £'000
Agriculture	8,334
Engineering	256
Group	11,403

Under the terms of the bonus arrangements, none of the threshold targets were achieved and therefore no bonus was payable in connection with the Group's financial targets.

	Target description	Performance outcome
Implement the Board's growth strategy	• Delivering strategic acquisitions and business integration. Establishing presences and new business models in select new territories. • Delivering on capital investment projects.	• Successful completion of various acquisitions during the year which align with the Board's growth strategy including NuVision in the USA and STABER in Germany. • Research trials in new territories at advanced stages and new business structures operating or established locally. • Various capital investment projects delivered or underway during the year in line with the Board's strategy.
Improving controls and reporting mechanisms	• Delivery of restructure within the Engineering division. • Strengthening of divisional leadership.	• Restructure of Engineering division underway and integration ongoing in line with strategy following key acquisitions. • Strengthening of Engineering management team, leading to appointment of Divisional Managing Director.
Health and Safety improvements	• Improving health and safety reporting and culture across the Group.	• Better reporting established throughout the Group and improved awareness and policies implemented.

Strategic targets, which account for 20% of the bonus, were set at the start of the year. Details of the targets and their performance against them is summarised in the table on the previous page.

In addition to those strategic performance indicators, the Committee has a discretion to consider matters such as good corporate governance which can include environmental, social and governance considerations.

At the end of the financial year, the Committee noted that significant progress had been made against the strategic targets. However, despite that progress, and following discussions with the Executive Directors, a decision was made not to pay any bonus in relation to this element of the scheme owing to the disappointing financial performance of the Group.

LONG TERM INCENTIVE PLAN

The awards made to Executive Directors in 2014 were subject to Average EPS growth targets over a three year period ended on 2 September 2017. Threshold vesting was set at 3% average annual growth. The Average EPS growth over the three year period was less than 3% and, accordingly, no shares under the long-term awards made to Executive Directors in 2014 vested.

LONG TERM INCENTIVE PLAN AWARDS DURING THE YEAR (AUDITED)

Long-term awards for 2017 were made to the Executive Directors in line with the remuneration policy.

	Number of shares	Basis on which the award was made	Face Value of the award £'000	Threshold vesting	End of performance period
Tim Davies	185,159	100% of salary	264	25%	2019
Neil Austin	137,018	100% of salary	197	25%	2019

The performance conditions which govern the vesting of those shares are based on annual average growth in adjusted EPS over a three year period.

Average annual growth %	% vesting
3	25
10	100

Nothing is payable below 3%, and a sliding scale operates between this and the maximum available.

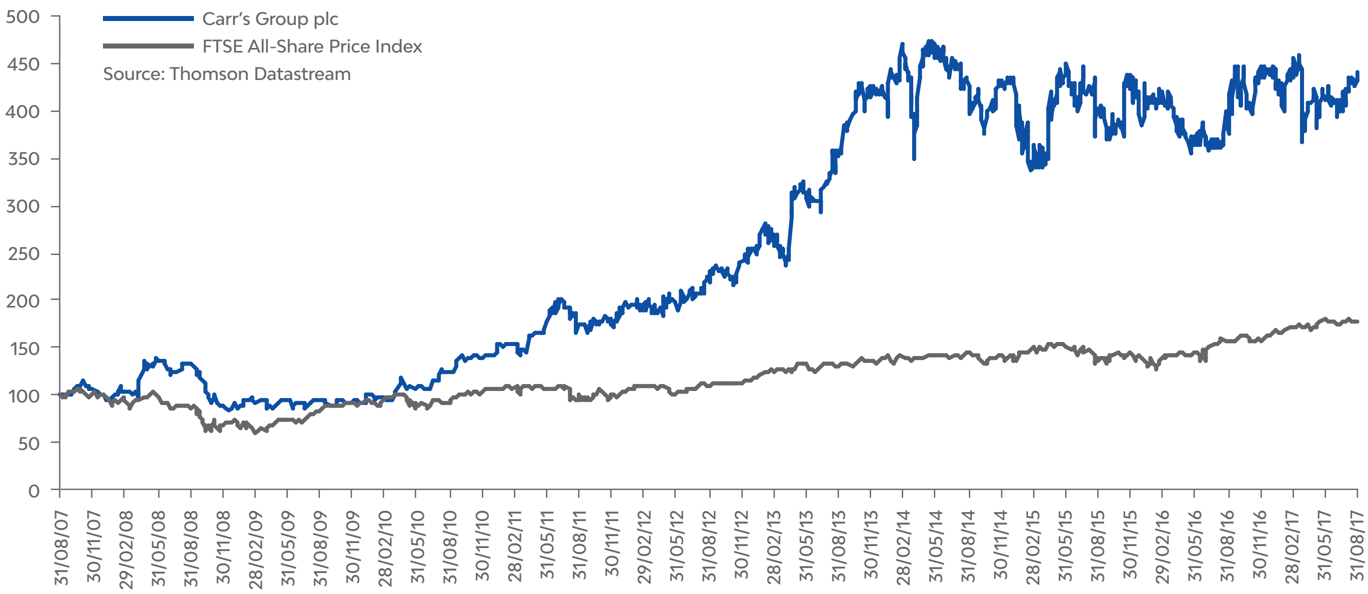
TOTAL PENSION ENTITLEMENTS (AUDITED)

The table below provides details of the Executive Directors' pension benefits:

	Normal retirement age	Total contributions to DC-type pension plan £'000	Cash in lieu of contributions to DC-type pension plan £'000
Tim Davies	67	—	40
Neil Austin	67	30	—

Each Executive Director has the right to participate in Carr's defined contribution pension plan or to elect to be paid some or all of their contribution in cash. Pension contributions and/or cash allowances are capped at 15% of salary.

TEN YEAR HISTORICAL TSR PERFORMANCE



DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY (AUDITED)

A summary of interests in shares and scheme interests of the Directors who served during the year is given below.

	Total number of interests in shares	Vested LTIP	Unvested LTIP	SAYE (unvested without performance conditions)	% of shareholding guideline achieved
Executive Directors					
Tim Davies	150,354	0	365,973	0	40.2%
Neil Austin	116,422	0	270,820	0	42.0%
Non-Executive Directors					
Chris Holmes	778,000	—	—	—	n/a
Alistair Wannop	22,610	—	—	—	n/a
John Worby	25,000	—	—	—	n/a
Ian Wood	10,000	—	—	—	n/a

ASSESSING PAY AND PERFORMANCE

In the table opposite we summarise the Chief Executive's single remuneration figure over the past 5 years, as well as how variable pay plans have paid out in relation to the maximum opportunity.

	2013 Tim Davies	2014 Tim Davies	2015 Tim Davies	2016 Tim Davies	2017 Tim Davies
Single figure of total remuneration	283[1]	559	911	531	308
Annual variable element (actual award versus maximum opportunity)	100%	100%	100%	55%	0%
Long-term incentive (vesting versus maximum opportunity)	N/A	N/A	100%	37.45%	0%

[1] Represents a 6 month period – pro rata would be £566,000

ALL EMPLOYEE SHARE PLANS

The Executive Directors are also eligible to participate in the UK all-employee plans. The Carr's Group Sharesave Scheme 2016 is a HM Revenue & Customs ("HMRC") approved scheme open to all staff permanently employed in a UK Group company as of the eligibility date. Options under the plan are granted at a 20% discount to market value. Executive Directors' participation is included in the option table later in this report.

PAYMENTS TO PAST DIRECTORS (AUDITED)

No payments to past Directors have been made to Directors during the year.

PAYMENTS FOR LOSS OF OFFICE (AUDITED)

No payments for loss of office have been made to Directors during the year.

PERFORMANCE SHARES (AUDITED)

The maximum number of outstanding shares that have been awarded to Directors under the LTIP are currently as follows:

	2014/15 award	2015/16 award	2016/17 award
Tim Davies	163,360	180,814	185,159
Neil Austin	120,890	133,802	137,018

CHANGE IN CHIEF EXECUTIVE'S REMUNERATION

In the table below we show the percentage change in the Chief Executive's remuneration between 2016 and 2017 financial years compared to the other employees.

	Tim Davies	Other UK employees
Base pay	2.5%	2.5%
Benefits	0%	0%
Annual bonus	-100%	0.4%

The Remuneration Committee considers pay across the entire Group when setting Executive Director remuneration. Annual consultations take place across the Group between the Executive Directors, senior management and the Group Head of HR in relation to employee pay. The outcome of that exercise, and any changes to employee pay levels, are considered when determining the appropriateness to changes in Executive Director pay.

RELATIVE SPEND ON PAY

The table shows the relative importance of spend on pay compared to distributions to shareholders.

	2017 £'000	2016 £'000	% change
Employee costs	36,520	31,765	15.0
Dividends paid to shareholders[1]	3,471	3,347	3.7

[1] Excludes the special dividend of 17.54 pence per share paid to shareholders in October 2016.

EXTERNAL APPOINTMENTS

The Executive Directors did not receive any remuneration in respect of any external appointments in 2016/17.

IMPLEMENTATION OF THE POLICY IN 2017/18

For 2017/18, the maximum annual bonus for the Executive Directors' will remain 100% of salary. 25% of any bonus will be deferred for two years in the form of shares. Performance will be assessed against stretching targets which will be 80% financial and 20% strategic. Financial targets will be based upon adjusted PBT for the Group only and will not have any divisional splits. All annual bonus targets will vest at thresholds of 0%. Targets will be disclosed respectively in next year's report.

The Committee intends to grant LTIP awards of 100% of salary, with future vesting conditional upon stretching targets based upon an adjusted EPS growth measure (the base for adjusted EPS will be fixed at a level which reflects changes within the Group including acquisitions). Awards will vest at a threshold of 25% for average growth of 3% per annum and will rise on a straight line basis to the maximum 100% for average growth of 10% per annum during the performance period. The Committee is currently considering the introduction of an additional measure for awards to be made during 2019 however it wishes to spend time carefully assessing which measure would be most appropriate for the business. The Committee will seek to consult with leading shareholders prior to the introduction of any additional performance measure.

Salary increases were awarded to the Executive Directors effective 1 September 2017 of 2.5%. This is consistent with the rest of the workforce.

EXTERNAL ADVISORS

Following the review of our remuneration structures by the Committee, an external advisor was appointed to provide an external perspective. New Bridge Street (part of Aon plc) was appointed to advise the Committee; however, due to the timing of their appointment no fees were incurred in FY 2016/17. New Bridge Street is a signatory to the Remuneration Consultants' Code of Conduct, which requires that its advice be objective and impartial. New Bridge Street has no other connection with the Group and provides no other services to the Group.

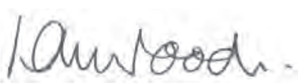
2017 AGM

The 2016 remuneration report received a 68.5% vote in favour (19,600,000 votes), with 18.3% against (5,240,335 votes) and 13.2% withheld (3,763,395 votes). The 2016 remuneration policy received a 64.5% vote in favour (18,455,190 votes), with 21.7% against (6,201,259 votes) and 13.8% withheld (3,946,281 votes).

In light of the shareholder response to the 2016 remuneration report, contact was made with certain of the Company's major shareholders and shareholder reporting bodies with a view to discuss any concerns. The Remuneration Committee considered the feedback received at length during 2017.

As can be seen from the new Policy, a number of changes have been made to Remuneration Policy which are designed to address the comments offered by shareholders and proxy agencies in response to the 2016 Report. The Board welcomes shareholder feedback and believes that the changes proposed to the Policy and additional disclosures now made in the Annual Remuneration report address those comments.

By order of the Board



IAN WOOD
Chairman of the Remuneration Committee
22 November 2017

Nominations Committee Report

CHRIS HOLMES
CHAIR OF THE NOMINATIONS COMMITTEE

> **Effective leadership and succession planning is critical to the continued success of the Group.**

DEAR SHAREHOLDER

This year the Committee has been active in developing strategies for the succession of both Board members and senior management across the Group.

COMPOSITION AND CONSTITUTION

The Nominations Committee comprises the Chairman of the Company and all of the Non-Executive Directors.

ROLE OF THE COMMITTEE

The Committee meets at least once a year. It reviews the structure, size and composition of the Board and considers the optimal level of independence, diversity of skills, knowledge and experience required for the Board to operate effectively. It oversees Board succession planning and is responsible for considering and making recommendations on the appointment of Executive and Non-Executive Directors.

The Committee also evaluates succession planning and recruitment strategy for senior management throughout the Group, taking into account the challenges and opportunities facing the Group and the skills, experience and leadership required across its diverse range of businesses.

In performing its responsibilities the Committee gives full consideration to the benefits of diversity (whether cultural, ethnic, gender or otherwise) both within the Board and across the Group's leadership teams. Working closely with the Board, the Committee is focused upon ensuring that the Board and the management teams are able to deliver Group strategy.

ACTIVITIES OF THE COMMITTEE

The Committee met once during the year to consider the following matters:

- the Committee's Terms of Reference to ensure they reflect the Committee's remit;
- the succession plans in place for the Board and senior management across the Group; and
- the structure, size, composition and diversity of the Board, its Committees and senior management across the Group.

CHANGES TO THE BOARD AND ITS COMMITTEES

There have been no changes in the membership of the Board during the year which remains comprised of two Executive Directors and four Non-Executive Directors.

In November 2016 Matthew Ratcliffe was appointed to the position of Company Secretary following the departure of Katie Wood.

As is explained in more detail in the Corporate Governance Report on pages 26-29, during the year the Company received feedback from certain shareholders which resulted in changes being made to the composition of the Board's Audit and Remuneration Committees.

Those changes, which were announced in September 2017, were as follows:

- Ian Wood took over as Chairman of the Remuneration Committee having served as a member since October 2015.
- I ceased to be a member of the Audit and Remuneration Committees which would thereafter be comprised solely of Non-Executive Directors considered by the Board to be independent.

EXTERNAL REVIEW

During the year, the size, composition and effectiveness of the Board and its Committees were the subject of an external review facilitated by corporate governance specialists, Independent Audit Limited. That review, which generated positive feedback, confirmed that the Board and its Committees were appropriately constituted and provided effective management of the Group as a whole. The review also involved a consideration of the continued independence of the Non-Executive Directors and the commitment required from each in order to properly fulfil their duties.

Following the review, and in consideration of all circumstances, it was determined by the Board that all Directors committed sufficient time to properly fulfil their responsibilities and that John Worby, Ian Wood and Alistair Wannop were considered to be independent. As such, there are no current plans to change the make-up of the Board. For more information concerning the external review, please see page 28.

SUCCESSION PLANNING

The Group's succession strategy was developed in 2014. Efforts have since focused upon ensuring that appropriate and sufficient employees are recruited or developed internally to meet the future management needs of the Group taking into account continued growth and overall Group strategy.

In 2017 we appointed a Divisional Managing Director for Engineering who will oversee the Engineering Division globally and provide specialist industry and strategic support to the Board. Across the Group we have established career pathway and employee development initiatives which are designed to attract, retain and develop the best talent. Further details of those initiatives are described on page 23.

DIVERSITY

The Group has a strict equal opportunities policy and ensures that appropriate consideration is given to diversity in determining the requirements of the business and in making recruitment decisions. The Group's principal concern when making appointments is ensuring that candidates possess the skills, knowledge and experience, or the potential to develop the required skills, knowledge and experience, to meet the requirements of the Group. All appointments are made on the basis of merit regardless of race, colour, nationality, religion, gender, marital status, family status, sexual orientation, disability or age.

RE-ELECTION

At the Annual General Meeting on 9 January 2018, all the Directors will stand for re-election in accordance with best practice under the UK Corporate Governance Code 2016.

The Board will set out in the Notice of Annual General Meeting its reasons for supporting the re-election of the Directors at the forthcoming Annual General Meeting. Their biographical details on page 21 demonstrate the range of experience and skills which each brings to the benefit of the Group.

The Chair of the Nominations Committee will attend the Annual General Meeting to respond to any shareholder questions that might be raised on the Committee's activities.

On behalf of the Board

Chris Holmes

CHRIS HOLMES DL
Chair of the Nominations Committee
22 November 2017

The Directors submit their report and the audited accounts of the Company for the year ended 2 September 2017

The Company is a public limited company incorporated and domiciled in England and Wales whose shares are listed and traded on the London Stock Exchange. The address of its registered office is Old Croft, Stanwix, Carlisle CA3 9BA.

RESULTS AND DIVIDENDS

A review of the results can be found on pages 18-19.

	2017	2016
First Interim dividend per share paid on 12 May 2017	**0.95p**	0.95p
Second Interim dividend per share paid on 6 October 2017	**0.95p**	0.95p
Final dividend per share proposed	**2.10p**	1.90p

Subject to approval at the Annual General Meeting, the final dividend will be paid on 12 January 2018 to members on the register at the close of business on 15 December 2017. Shares will be ex-dividend on 14 December 2017.

The Group profit from continuing activities before taxation was £10.0 million (2016: £14.1 million). After taxation charge of £1.7 million (2016: £2.9 million), the profit for the year is £8.3 million (2016: £11.2 million).

PENSIONS

Estimates of the amount and timing of future funding obligations for the Group's pension plans are based on various assumptions including, among other things, the actual and projected market performance of the pension plan assets, future long-term corporate bond yields, longevity of members and statutory requirements.

The Group continually reviews this risk and takes action to mitigate where possible. In addition, while the Group is consulted by the trustees on the investment strategies of its pension plans, the Group has no direct control over these matters as the trustees are directly responsible for the strategy.

Details of the Group's pension plans are in note 26 in the Notes to the Financial Statements.

EMPLOYMENT POLICIES AND EMPLOYEES

The Company is committed to its employees and further details on the Company's policies and commitment can be found in the Corporate Responsibility Report on page 23.

ENVIRONMENT

The Company's report on sustainability including carbon footprint and energy usage is on pages 24-25.

POLITICAL AND CHARITABLE DONATIONS

During the period ended 2 September 2017 the Group contributed £26,300 (2016: £32,175) in the UK for charitable purposes. Further details have been included with the Corporate Responsibility statement on page 25. There were no political donations during the year (2016: £Nil).

SHARE CAPITAL

The Company has a single class of share capital which is divided into Ordinary Shares of £0.025 each. The movement in the share capital during the year is detailed in note 27 to the financial statements.

At the last Annual General Meeting the Directors received authority from the shareholders to:

Allot Shares – this gives Directors the authority to allot shares and maintains the flexibility in respect of the Company's financing arrangements. The nominal value of ordinary shares which the Directors may allot in the period up to the next Annual General Meeting to be held on 9 January 2018, is limited to £752,393.93 which is equal to 33 percent of the nominal value of the issued share capital on 14 November 2016.

The Directors do not have any present intention of exercising this authority other than in connection with the issue of ordinary shares in respect of the Company's share option plans. This authority will expire at the end of the Annual General Meeting to be held on 9 January 2018.

Disapplication of rights of pre-emption – this disapplies rights of pre-emption on the allotment of shares by the Company and the sale by the Company of treasury shares. The authority will allow the Directors to allot equity securities for cash pursuant to the authority to allot shares mentioned above, and to sell treasury shares for cash without a pre-emptive offer to existing shareholders, up to an aggregate nominal amount of £114,221.60, representing 5 percent of the Company's issued share capital as at 14 November 2016. This authority will expire at the end of the Annual General Meeting to be held on 9 January 2018.

To buy own shares – this authority allows the Company to buy its own shares in the market, as permitted under the Articles of Association of the Company, up to a limit of 9,137,729 Ordinary Shares being 10 per cent of the Company's issued share capital at 14 November 2016. The price to be paid for any share must not be less than 0.25p, being the nominal value of a share, and must not exceed 105 percent of the average middle market quotations for the Ordinary Shares of the Company as derived from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the Ordinary Shares are purchased. The Directors have no immediate plans to exercise the powers of the Company to purchase its own shares and undertaken that the authority would only be exercised if the Directors were satisfied that a purchase would result in an increase in expected earnings per share and was in the best interests of the Company at the time. This authority will expire at the end of the Annual General Meeting to be held on 9 January 2018. The Directors would consider holding any of its own shares that it purchases pursuant to this authority as treasury shares.

The interests of the Directors, as defined by the Companies Act 2006, in the Ordinary Shares of the Company, other than in respect of options to acquire Ordinary Shares (which are detailed in the analysis of options included in the Directors' Remuneration Report on pages 33-43), are as follows:

	At 2 September 2017 Ordinary Shares	At 3 September 2016 Ordinary Shares
T J Davies	150,354	20,000
N Austin	116,422	20,000
C N C Holmes	778,000	1,230,000
A G M Wannop	22,610	22,610
J G Worby	25,000	25,000
I Wood	10,000	1,000

All the above interests are beneficial. There have been no other changes to the above interests in the period from 2 September 2017 to 13 November 2017.

RIGHTS AND OBLIGATIONS ATTACHING TO SHARES

In a general meeting of the Company, subject to the provisions of the Articles of Association and to any special rights or restrictions as to voting attached to any class of shares in the Company (of which they are none), the holders of the Ordinary Shares are entitled to one vote in a poll for every Ordinary Share held. No member shall be entitled to vote at any general meeting or class meeting in respect of any shares held if any call or other sum then payable in respect of that share remains unpaid. Currently all issued shares are fully paid.

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the Annual General Meeting to be held on 9 January 2018 are set out in the Notice of Annual General Meeting.

Subject to the provisions of the Companies Act 2006, the Company may, by ordinary resolution, declare a dividend to be paid to the members, but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends, and also any fixed rate dividend, whenever the financial position of the Company, in the opinion of the Board, justifies its payment. All dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares.

CHANGE OF CONTROL

There are no agreements that the Company considers significant and to which the Company is party that would take effect, alter or terminate upon change of control of the Company following a takeover bid, other than a number of banking agreements which upon a change of control of the Company are terminable by the bank immediately.

MAJOR SHAREHOLDERS

The Company has been informed of the following interests at 13 November 2017 in the 91,402,641 Ordinary Shares of the Company, as required by the Companies Act 2006:

	Number of shares	% of issued share capital
Heygate & Sons Limited	12,652,870	13.84
BBHISL Nominees Limited (130227)	4,241,863	4.64
Rathbone Nominees Limited	3,019,316	3.30
HSBC Global Custody Nominee (UK) Limited (928488)	2,968,940	3.25

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the Group and parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company 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 accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements and Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. 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 Directors are responsible for the maintenance and integrity of the Company website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and accounts, taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess a company's performance, business model and strategy.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 21. Having made enquiries of fellow Directors, each of the Directors at the date of this report confirms that:

- he is aware there is no relevant audit information of which the Company's auditors are unaware; and
- he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

RESPONSIBILITY STATEMENT

Each of the Directors, whose names and functions are listed on page 21 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Chief Executive's Review includes a fair review of the development and performance of the business and the position of the Group; and
- the Risk management review provides a description of the principal risks and uncertainties that the Company faces.

By order of the Board

MATTHEW RATCLIFFE
Company Secretary
22 November 2017

Independent Auditors' Report *to the members of Carr's Group plc*

Report on the audit of the financial statements

OPINION

In our opinion, Carr's Group plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 2 September 2017 and of the Group's profit and the Group's and the Company's cash flows for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company balance sheets as at 2 September 2017; the Consolidated income statement and Consolidated and Company statements of comprehensive income, the Consolidated and Company statement of cash flows, and the Consolidated and Company statements of changes in equity for the 52 week period then ended; the accounting policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit Committee.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 3 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 4 September 2016 to 2 September 2017.

OUR AUDIT APPROACH

Overview

- Overall Group materiality: £565,000 (2016: £845,000), based on 5% of profit before tax before amortisation and non-recurring items.
- Overall Company materiality: £400,000 (2016: £435,000), based on 0.5% of total assets.

- We identified five reporting units within the Agriculture and Engineering divisions alongside the Company, which in our view required an audit of their complete financial information. Three of these reporting units were deemed financially significant and the other three were selected for particular risk characteristics, which included coverage of the risks relating to pension assumptions, fraud in revenue, and of the profit from the associate.
- Specific audit procedures on certain balances and transactions were performed on a further reporting unit in the UK, in order to gain coverage of individual material financial statement line items.

- Goodwill impairment in Chirton Engineering.
- Defined benefit pension scheme surplus.
- Acquisition accounting.
- Receivables provisioning.
- Assumptions made within contract accounting.
- Fraud risk in revenue recognition.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
GOODWILL IMPAIRMENT IN CHIRTON ENGINEERING The Group has a material goodwill balance in respect of the acquisition in 2014 of Chirton Engineering. The downturn in the oil and gas market has adversely affected the expected performance of this business giving rise to an increase risk of impairment. The Directors' assessment of the 'value in use' of the Cash Generating Unit involved judgements about the future results of the business and the discount rates applied to future cash flow forecasts.	We reviewed the composition of future cash flows to ensure that all relevant elements were included or excluded as appropriate. We compared current year actual results with the FY17 figures included in the prior year forecast to assess the accuracy of management's historic forecasts. We challenged management's assumptions within the forecasts for short and mid-term growth by comparing to the previous performance of the business and understanding and validating the measures implemented by management to achieve this growth. We considered the suitability of the discount rate by assessing the cost of capital for the Company and comparable businesses. We assessed the sensitivity analysis performed by management and determined that the calculations were most sensitive to the assumptions regarding profits in the terminal period. We reviewed the adequacy of the disclosures given in note 11 in respect of the impairment assessment performed by management.
DEFINED BENEFIT PENSION SCHEME SURPLUS The Group has a defined pension scheme with post-retirement assets of £75.1m and post-retirement liabilities of £69.9m. The valuation of the Group surplus is sensitive to changes in key assumptions such as the discount rate, inflation and mortality estimates. The setting of these assumptions is complex and an area of judgement. Changes in any of these assumptions could lead to a material movement in the net surplus.	We tested the membership census data used in the valuation of the scheme to payroll information. We benchmarked and performed sensitivity analysis on key variables in the valuation model including salary increases, mortality rates, inflation and discount rates. We obtained third party confirmation over ownership and valuation of pension scheme assets. We ensured that the Company is entitled to recognise any surplus by examining the Trust Deed and Rules documentation.
ACQUISITION ACCOUNTING The Group has made two significant acquisitions during the financial year. On purchase of STABER and NuVision the assets of the companies purchased were recognised at their fair values. The fair values recognised involve judgement from management over the existence of any intangible assets, and the inputs into the models that support these valuations, including future projections of the businesses performance, and the discount rates used.	We reviewed the valuations papers produced by management for each acquisition in conjunction with our valuation specialists. We considered the suitability of the models used by management to adjust the assets purchased to their fair values, and have corroborated the inputs to these models. As part of this work we also considered the suitability of the discount rate by assessing the cost of capital for the Company and comparable businesses. We challenged management's assumptions within the forecasts for short and mid-term growth by comparing to the previous performance of the business and understanding and validating the measures implemented by management to achieve this growth. We challenged the completeness of the assessment of any intangible assets acquired as part of the business combination.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
RECEIVABLES PROVISIONING Within the Agriculture division there are material amounts of trade receivables that are past due and there has historically been a slower collection pattern within this division. Management's provisions in respect of these amounts are an area of subjectivity with respect to the recoverability of balances.	We understood management's receivables provisioning policy and tested the accuracy of the aging of balances in order to recalculate management's provision. We analysed the provision to identify significant balances for which the methodology had not been applied and understood and validated any such exceptions. We performed testing over the operating effectiveness of controls with respect to approval of credit limits and monthly reviews of the receivables ledger. For individually significant aged receivables balances, we understood the rationale for management's provision by considering historic payment patterns and other supporting information. We tested the levels of cash received after the year end on overdue receivables balances to assess the adequacy of the provision made.
ASSUMPTIONS MADE WITHIN CONTRACT ACCOUNTING Within Carr's Engineering Limited there have been a number of contracts in the year on which performance has been worse than expected. This increases the risk that the assumptions made by management in respect of costs forecast to complete contracts are not accurate.	We focused on the judgements required to account for long term contracts. This involved a detailed review of contracts in place at the year end in order to understand the nature of the services provided. As part of this review we conducted an assessment of the costs to completion on the contract, and an evaluation of the stage of completion of the contract based on the evidence available. We discussed each contract with members of management outside of the finance function to understand how forecasts of cost to come have been built up, and the accuracy of these forecasts. We also evaluated management's assessment of the stage of completion through performing a look back test to assess management's previous estimations as well as on a sample basis agreeing the inputs into the calculation of the revenue to supporting documentation and reperforming the calculation. From the work we performed no material exceptions were noted.
FRAUD RISK IN REVENUE RECOGNITION ISAs (UK) presume there is a risk of fraud in revenue recognition. We have determined this to apply specifically to the occurrence of revenue in all divisions because of the pressure management may feel to achieve the planned results. Within the Agriculture division this is specifically in relation to whether a sale has occurred, and within the Engineering division this is in relation to the judgements involved in long term contract accounting.	For the Agriculture division this involved testing the operating effectiveness of controls around dispatches and invoicing in certain components, as well as substantively testing that revenue agrees to accounts receivable and cash received. Where revenue did not directly agree to accounts receivable or cash further work was performed to understand and substantively test those transactions. In addition to the work described above specifically in relation to long term contracts we performed additional procedures in the Engineering division to substantively test that revenue agreed to accounts receivable and cash received. Where revenue did not directly agree to accounts receivable or cash further work was performed to understand and substantively test those transactions.

We determined that there were no key audit matters applicable to the Company, with the exception of the defined benefit pension scheme surplus as described above, to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group is split into two principal divisions, Agriculture and Engineering. Within these divisions there are a number of UK subsidiary companies. There are also a number of overseas subsidiary companies, in the US and Germany, which report separately to these divisions. Group management are based in the UK, along with the Group finance function.

Carrs Billington Agriculture (Sales) Limited and Carrs Agriculture Limited, which form part of the UK Agriculture division, have been selected as full scope audit components as a result of their contribution to Group profits. Wälischmiller, a German subsidiary which operates within the engineering market, has also been selected as a full scope component for this reason. Carr's Group plc has been selected as a full scope component due to its significant net assets balance, and the fact that the Group pension scheme is recognised within its accounts, which is a key audit matter as noted above. Carr's Engineering Limited has also been selected as a full scope component due to the greater judgement involved in determining its contribution to Group revenue, which is a significant risk for our audit.

Carrs Billington Agriculture (Operations) Limited, an associate which the Group owns 49% of, has been selected for full scope reporting. Mitchell Charlesworth, a component auditor, undertake the audit of this component. Carrs Properties Limited has been selected for limited scope reporting over fixed assets, as a result of its contribution to this financial statement line item.

We have held planning calls with the component auditors for both Carrs Billington Agriculture (Operations) Limited and Wälischmiller, to understand their planned audit approach and ensure that it provides the comfort we require as part of our Group audit. We have been involved in the clearance meeting between management and the component auditors for both components, and have carried out a review of the working papers which support the reporting provided.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£565,000 (2016: £845,000).	£400,000 (2016: £435,000).
How we determined it	5% of profit before tax before amortisation and non-recurring items.	0.5% of total assets.
Rationale for benchmark applied	Based on the benchmarks used in the annual report, profit before tax before amortisation and non-recurring items is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	The Company is a holding company, and as such we believe total assets is the primary measure used to assess the performance of the entity, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £200,000 and £800,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £28,250 (Group audit) (2016: £42,250) and £20,000 (Company audit) (2016: £22,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 2 September 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on pages 14-16 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 17 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 29, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 30-32 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose.

We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we have been appointed as auditors since at least 1909 to audit the financial statements for the year ended 31 March 1909 and subsequent financial periods. The period of total uninterrupted engagement is 109 years, covering the years ended 31 March 1909 to 2 September 2017.

Bill MacLeod

BILL MACLEOD
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
Newcastle upon Tyne
22 November 2017

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 2 SEPTEMBER 2017

	Notes	2017 £'000	2016 £'000
Continuing operations			
Revenue	2	**346,224**	314,907
Cost of sales		**(307,543)**	(273,712)
Gross profit		**38,681**	41,195
Distribution costs		**(16,391)**	(15,975)
Administrative expenses		**(14,413)**	(12,450)
Group operating profit (before amortisation and non-recurring items)		**9,278**	12,982
Amortisation and non-recurring items	4	**(1,401)**	(212)
Group operating profit	3	**7,877**	12,770
Finance income	6	**176**	236
Finance costs	6	**(864)**	(1,009)
Share of post-tax profit in associates		**1,609**	1,239
Share of post-tax profit in joint ventures		**1,204**	842
Profit before taxation (before amortisation and non-recurring items)		**11,403**	14,290
Amortisation and non-recurring items	4	**(1,401)**	(212)
Profit before taxation	2	**10,002**	14,078
Taxation	7	**(1,707)**	(2,907)
Profit for the year from continuing operations		**8,295**	11,171
Discontinued operations			
Profit for the year from discontinued operations	8	**–**	2,817
Profit for the year		**8,295**	13,988
Profit attributable to:			
Equity shareholders		**7,005**	12,455
Non-controlling interests		**1,290**	1,533
		8,295	13,988
Basic earnings per ordinary share (pence)			
Profit from continuing operations		**7.7**	10.7
Profit from discontinued operations		**–**	3.1
	10	**7.7**	13.8
Diluted earnings per ordinary share (pence)			
Profit from continuing operations		**7.6**	10.5
Profit from discontinued operations		**–**	3.0
	10	**7.6**	13.5

CONSOLIDATED AND COMPANY STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 2 SEPTEMBER 2017

	Notes	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Profit for the year		**8,295**	13,988	**3,349**	26,362
Other comprehensive income/(expense)					
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange translation gains arising on translation of overseas subsidiaries		**1,835**	2,860	**—**	—
Net investment hedges		**(70)**	687	**—**	—
Taxation credit/(charge) on net investment hedges		**14**	(137)	**—**	—
Items that will not be reclassified subsequently to profit or loss:					
Actuarial gains/(losses) on retirement benefit asset/obligation:					
– Group	26	**4,951**	(2,725)	**4,951**	(2,725)
– Share of associate		**1,070**	(1,216)	**—**	—
Taxation (charge)/credit on actuarial gains/(losses) on retirement benefit asset/obligation:					
– Group	18	**(842)**	490	**(842)**	490
– Share of associate		**(211)**	205	**—**	—
Other comprehensive income/(expense) for the year, net of tax		**6,747**	164	**4,109**	(2,235)
Total comprehensive income for the year		**15,042**	14,152	**7,458**	24,127
Total comprehensive income attributable to:					
Equity shareholders		**13,752**	12,619	**7,458**	24,127
Non-controlling interests		**1,290**	1,533	**—**	—
		15,042	14,152	**7,458**	24,127

CONSOLIDATED AND COMPANY BALANCE SHEETS (Company Number 00098221)

AS AT 2 SEPTEMBER 2017

	Notes	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Assets					
Non-current assets					
Goodwill	11	**24,241**	11,440	**—**	—
Other intangible assets	11	**2,266**	286	**—**	—
Property, plant and equipment	12	**37,149**	35,811	**—**	—
Investment property	13	**176**	182	**—**	—
Investment in subsidiary undertakings	14, 17	**—**	—	**26,192**	11,478
Investment in associates	14, 15	**11,443**	8,667	**245**	245
Interest in joint ventures	14, 16	**6,590**	6,257	**272**	272
Other investments	14	**73**	72	**—**	—
Financial assets					
– Non-current receivables	20	**762**	50	**18,007**	17,486
Retirement benefit asset	26	**5,209**	311	**5,209**	311
Deferred tax assets	18	**—**	—	**59**	2
		87,909	63,076	**49,984**	29,794
Current assets					
Inventories	19	**37,023**	33,423	**—**	—
Trade and other receivables	20	**59,723**	56,940	**21,391**	18,831
Current tax assets	21	**485**	303	**464**	922
Financial assets					
– Derivative financial instruments	25	**13**	—	**—**	—
– Cash and cash equivalents	22	**23,887**	48,411	**8,494**	37,945
		121,131	139,077	**30,349**	57,698
Total assets		**209,040**	202,153	**80,333**	87,492
Liabilities					
Current liabilities					
Financial liabilities					
– Borrowings	24	**(17,060)**	(21,642)	**(7,154)**	(5,974)
– Derivative financial instruments	25	**(18)**	(20)	**—**	—
Trade and other payables	23	**(56,008)**	(46,823)	**(1,537)**	(2,214)
Current tax liabilities		**(632)**	(470)	**(85)**	—
		(73,718)	(68,955)	**(8,776)**	(8,188)
Non-current liabilities					
Financial liabilities					
– Borrowings	24	**(20,966)**	(18,625)	**(19,018)**	(15,889)
Deferred tax liabilities	18	**(4,010)**	(1,817)	**(886)**	(56)
Other non-current liabilities	23	**(4,423)**	(2,668)	**—**	—
		(29,399)	(23,110)	**(19,904)**	(15,945)
Total liabilities		**(103,117)**	(92,065)	**(28,680)**	(24,133)
Net assets		**105,923**	110,088	**51,653**	63,359
Shareholders' equity					
Share capital	27	**2,285**	2,280	**2,285**	2,280
Share premium		**9,130**	9,111	**9,130**	9,111
Other reserves		**5,265**	3,800	**424**	751
Retained earnings:					
At beginning of the year		**81,540**	74,706	**51,217**	30,434
Profit attributable to the equity shareholders		**7,005**	12,455	**3,349**	26,362
Other changes in retained earnings		**(13,743)**	(5,621)	**(14,752)**	(5,579)
		74,802	81,540	**39,814**	51,217
Total shareholders' equity		**91,482**	96,731	**51,653**	63,359
Non-controlling interests		**14,441**	13,357	**—**	—
Total equity		**105,923**	110,088	**51,653**	63,359

The financial statements set out on pages 55-103 were approved by the Board on 22 November 2017 and signed on its behalf by:

Tim J Davies **Neil Austin**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 2 SEPTEMBER 2017

	Share Capital £'000	Share Premium £'000	Treasury Share Reserve £'000	Equity Compensation Reserve £'000	Foreign Exchange Reserve £'000	Other Reserve £'000	Retained Earnings £'000	Total Shareholders' Equity £'000	Non-controlling Interests £'000	Total Equity £'000
At 30 August 2015	2,244	8,615	–	1,138	(515)	862	74,706	87,050	11,913	98,963
Profit for the year	–	–	–	–	–	–	12,455	12,455	1,533	13,988
Other comprehensive income/(expense)	–	–	–	–	3,410	–	(3,246)	164	–	164
Total comprehensive income	–	–	–	–	3,410	–	9,209	12,619	1,533	14,152
Dividends paid	–	–	–	–	–	–	(3,347)	(3,347)	–	(3,347)
Equity settled share-based payment transactions, net of tax	–	–	–	(432)	–	–	321	(111)	15	(96)
Allotment of shares	36	496	–	–	–	–	–	532	–	532
Purchase of own shares held in trust	–	–	(12)	–	–	–	–	(12)	–	(12)
Dissolution of dormant subsidiaries	–	–	–	–	–	–	–	–	(104)	(104)
Transfer	–	–	4	–	–	(655)	651	–	–	–
At 3 September 2016	2,280	9,111	(8)	706	2,895	207	81,540	96,731	13,357	110,088
At 4 September 2016	**2,280**	**9,111**	**(8)**	**706**	**2,895**	**207**	**81,540**	**96,731**	**13,357**	**110,088**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**7,005**	**7,005**	**1,290**	**8,295**
Other comprehensive income	**–**	**–**	**–**	**–**	**1,779**	**–**	**4,968**	**6,747**	**–**	**6,747**
Total comprehensive income	**–**	**–**	**–**	**–**	**1,779**	**–**	**11,973**	**13,752**	**1,290**	**15,042**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(19,467)**	**(19,467)**	**(245)**	**(19,712)**
Equity settled share-based payment transactions, net of tax	**–**	**–**	**–**	**(320)**	**–**	**–**	**766**	**446**	**39**	**485**
Allotment of shares	**5**	**19**	**–**	**–**	**–**	**–**	**–**	**24**	**–**	**24**
Purchase of own shares held in trust	**–**	**–**	**(4)**	**–**	**–**	**–**	**–**	**(4)**	**–**	**(4)**
Transfer	**–**	**–**	**12**	**–**	**–**	**(2)**	**(10)**	**–**	**–**	**–**
At 2 September 2017	**2,285**	**9,130**	**–**	**386**	**4,674**	**205**	**74,802**	**91,482**	**14,441**	**105,923**

The equity compensation reserve reflects the cumulative accounting impact, at the balance sheet date, of the fair value of the share schemes over the vesting periods. The movement on the equity compensation reserve is taken through the consolidated income statement. During the year £766,000 (2016: £264,000) was transferred from the equity compensation reserve to retained earnings in respect of options exercised in the year and £nil (2016: £57,000) was also transferred on the disposal of Carr's Flour Mills Ltd.

The Group has opted to use previous revaluations of property made under UK GAAP as deemed cost. On adoption of IFRS the revaluation reserve was reclassified to other reserves.

In the prior year £642,000 was transferred from other reserves to retained earnings in respect of previous revaluations of property owned by Carr's Flour Mills Ltd, a subsidiary undertaking which was sold during the prior year.

In the prior year an adjustment of £104,000 was made to remove balances in respect of dormant subsidiaries dissolved in the prior year from non-controlling interests.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 2 SEPTEMBER 2017

	Share Capital £'000	Share Premium £'000	Treasury Share Reserve £'000	Equity Compensation Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 30 August 2015	2,244	8,615	—	1,239	30,434	42,532
Profit for the year	—	—	—	—	26,362	26,362
Other comprehensive expense	—	—	—	—	(2,235)	(2,235)
Total comprehensive income	—	—	—	—	24,127	24,127
Dividends paid	—	—	—	—	(3,347)	(3,347)
Equity settled share-based payment transactions, net of tax	—	—	—	(480)	7	(473)
Allotment of shares	36	496	—	—	—	532
Purchase of own shares held in trust	—	—	(12)	—	—	(12)
Transfer	—	—	4	—	(4)	—
At 3 September 2016	2,280	9,111	(8)	759	51,217	63,359
At 4 September 2016	**2,280**	**9,111**	**(8)**	**759**	**51,217**	**63,359**
Profit for the year	**—**	**—**	**—**	**—**	**3,349**	**3,349**
Other comprehensive income	**—**	**—**	**—**	**—**	**4,109**	**4,109**
Total comprehensive income	**—**	**—**	**—**	**—**	**7,458**	**7,458**
Dividends paid	**—**	**—**	**—**	**—**	**(19,467)**	**(19,467)**
Equity settled share-based payment transactions, net of tax	**—**	**—**	**—**	**(335)**	**618**	**283**
Allotment of shares	**5**	**19**	**—**	**—**	**—**	**24**
Purchase of own shares held in trust	**—**	**—**	**(4)**	**—**	**—**	**(4)**
Transfer	**—**	**—**	**12**	**—**	**(12)**	**—**
At 2 September 2017	**2,285**	**9,130**	**—**	**424**	**39,814**	**51,653**

The equity compensation reserve reflects the cumulative accounting impact, at the balance sheet date, of the fair value of the share schemes over the vesting periods. The movement on the equity compensation reserve is taken through the income statement where it relates to employees of the Company and to investment in subsidiaries where it relates to employees of the subsidiaries. During the year £618,000 (2016: £7,000) was transferred from the equity compensation reserve to retained earnings and £201,000 (2016: £321,000) was transferred from the equity compensation reserve to investment in subsidiaries in respect of options exercised in the year.

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 2 SEPTEMBER 2017

		Group		Company	
	Notes	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Cash flows from operating activities					
Cash generated from/(used in) continuing operations	30	15,094	6,257	(2,939)	(2,299)
Interest received		175	155	1,855	877
Interest paid		(896)	(673)	(323)	(420)
Tax (paid)/recovered		(1,179)	(1,098)	551	777
Net cash generated from/(used in) operating activities in continuing operations		13,194	4,641	(856)	(1,065)
Net cash generated from operating activities in discontinued operations		—	5,477	—	—
Net cash generated from/(used in) operating activities		13,194	10,118	(856)	(1,065)
Cash flows from investing activities					
Acquisition of subsidiaries (net of overdraft/cash acquired)		(12,640)	(1,258)	—	—
Contingent/deferred consideration paid		(549)	—	—	—
Disposal of subsidiary, net of costs (including cash disposed)		—	23,922	—	6,685
Dividends received from subsidiaries		—	—	2,303	4,802
Net (payment)/receipt of loans to subsidiaries		—	—	(8,037)	14,259
Investment in subsidiaries		—	—	(8,759)	—
Dividend received from associate and joint ventures		1,212	113	1,097	—
Loans to joint ventures		—	2,332	—	1,768
Loan repaid by associates		22	500	—	500
Other loans		80	(20)	—	—
Purchase of intangible assets		(371)	(62)	—	—
Proceeds from sale of property, plant and equipment		691	349	—	—
Purchase of property, plant and equipment		(2,854)	(5,788)	—	—
Purchase of own shares held in trust		(4)	(12)	(4)	(12)
Redemption of preference shares in joint venture	14	150	150	—	—
Net cash (used in)/generated from investing activities in continuing operations		(14,263)	20,226	(13,400)	28,002
Net cash used in investing activities in discontinued operations		—	(449)	—	—
Net cash (used in)/generated from investing activities		(14,263)	19,777	(13,400)	28,002
Cash flows from financing activities					
Proceeds from issue of ordinary share capital	27	24	532	24	532
Net proceeds from loans from subsidiaries		—	—	—	5,368
Net proceeds/(costs) from issue of new bank loans		6,000	153	6,000	(15)
Finance lease principal repayments		(846)	(925)	—	—
Repayment of loan from related party		—	(500)	—	—
Repayment of borrowings		(3,110)	(1,614)	(1,758)	(550)
Decrease in other borrowings		(2,804)	(192)	—	—
Dividends paid to shareholders	9	(19,467)	(3,347)	(19,467)	(3,347)
Dividends paid to related party		(245)	—	—	—
Net cash (used in)/generated from financing activities in continuing operations		(20,448)	(5,893)	(15,201)	1,988
Net cash used in financing activities in discontinued operations		—	(1,408)	—	—
Net cash (used in)/generated from financing activities		(20,448)	(7,301)	(15,201)	1,988
Effects of exchange rate changes		344	918	6	47
Net (decrease)/increase in cash and cash equivalents		(21,173)	23,512	(29,451)	28,972
Cash and cash equivalents at beginning of the year	22	39,787	16,275	37,945	8,973
Cash and cash equivalents at end of the year	22	18,614	39,787	8,494	37,945

PRINCIPAL ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The consolidated and Company financial statements are prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Standards Interpretation Committee (IFRS IC) interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Company is a public limited company incorporated and domiciled in England and Wales whose shares are listed and traded on the London Stock Exchange. The address of its registered office is Old Croft, Stanwix, Carlisle CA3 9BA.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ materially from the estimates.

Accounting policies have been applied consistently, other than where new policies have been adopted.

The consolidated and Company financial statements are prepared under the historic cost convention as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The accounting policies for the Group and Company are as follows:

BASIS OF CONSOLIDATION

The consolidated financial statements comprise Carr's Group plc and all its subsidiaries, together with the Group's share of the results of its associates and joint ventures. The financial information of the subsidiaries, associates and joint ventures is prepared as of the same reporting date and consolidated using consistent accounting policies. Group inter-company balances and transactions, including any unrealised profits arising from Group inter-company transactions, are eliminated in full. Profits and losses on transactions with the associates and joint ventures are recognised in the consolidated income statement.

Results of subsidiary undertakings acquired or disposed of during the current and prior financial year were included in the financial statements from the effective date of control or up to the date of cessation of control. The separable net assets, both tangible and intangible, of the acquired subsidiary undertakings were incorporated into the financial statements on the basis of the fair value as at the effective date of the Group acquiring control.

IFRS 10 introduced a new definition of control which could affect whether an entity is consolidated into the Group accounts. An investor controls an investee when it is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Control requires power over the investee, exposure, or rights, to variable returns and the ability to use power to affect returns.

Subsidiaries are entities that meet the new definition of control. Subsidiaries are consolidated from the date on which control is transferred to the Group and are included until the date on which the Group ceases to control them.

Associates are entities over which the Group has significant influence but not control, generally accompanied by a share of between 20% and 50% of the voting rights. Joint ventures are entities over which the Group has joint control, established by contractual agreement. Investments in associates and joint ventures are accounted for using the equity method. The Group's share of its associates' and joint ventures' post-tax profits or losses are recognised in the income statement, and its share of movement in reserves is recognised in reserves. The cumulative movements are adjusted against the carrying amount of the investment. The Group's investment in associates and joint ventures includes any goodwill arising on acquisition. If the Group's share of losses in an associate or joint venture equals or exceeds its investment in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

All subsidiaries are accounted for by applying the purchase method. The cost of a business combination is measured as the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group. The identifiable assets, liabilities and contingent liabilities of the acquiree are measured initially at fair value at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

Acquisition related costs are expensed to the consolidated income statement in the year they are incurred.

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group.

EMPLOYEE SHARE TRUST

IFRS 10 requires that the Group consolidate a structured entity where the substance of the relationship between the parties indicates that the Group controls the entity. The employee share trust sponsored by the Group falls within this category of structured entity and has been accounted for as if it were, in substance, a subsidiary.

CURRENCY TRANSLATION

The financial statements for the Group's subsidiaries, associates and joint ventures are prepared using their functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Group and Company is Sterling.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Exchange differences resulting from the settlement of such transactions and from the translation, at exchange rates ruling at the balance sheet date, of monetary assets and liabilities denominated in currencies other than the functional currency are recognised in the consolidated income statement.

The balance sheets of foreign operations are translated into sterling using the exchange rate at the balance sheet date and the income statements are translated into sterling using the average exchange rate for the year. Where this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, the exchange rate on the transaction date is used. Exchange differences arising are recognised as a separate component of shareholders' equity. On disposal of a foreign operation any cumulative exchange differences held in shareholders' equity are transferred to the consolidated income statement.

REVENUE RECOGNITION

Revenue from the sale of goods or services is measured at the fair value of the consideration, net of rebates and excluding value added tax. Revenue from the sale of goods or services is recognised when the Group has transferred the significant risks and rewards of ownership of the goods to the buyer, when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Inter segmental transactions are on an arm's length basis.

In respect of construction contracts, revenue is calculated on the basis of the stage of completion and the total sales value of each contract.

The stage of completion is determined as the proportion that contract costs incurred for work performed to date bear to the total estimated total contract costs. No profit is recognised until a contract is at least 30% complete. Amounts invoiced for work completed are deducted from the selling price, while amounts invoiced in excess of work completed are recognised as current liabilities.

Where it is probable that contract costs will exceed total contract revenue the expected loss is recognised immediately as an expense in the consolidated income statement.

RETIREMENT BENEFIT ASSET/OBLIGATIONS

The Group offers various pension schemes to employees including a defined benefit pension scheme and several defined contribution schemes.

The assets of the Group's pension schemes are held separately from those of the Group and are invested with independent investment managers.

Contributions to defined contribution schemes are charged to the consolidated income statement in the year to which they relate.

Carr's Group Pension Scheme

The asset recognised in the consolidated and Company balance sheet at the year end is the fair value of scheme assets at the balance sheet date less the present value of the defined benefit obligation. Independent actuaries calculate the defined benefit asset annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The service costs, including pension scheme administrative costs, are included in operating profit in the consolidated income statement.

A credit is made within interest which represents a net interest amount that is calculated by applying the discount rate at the beginning of the year to the net defined benefit asset at the beginning of the year. The net interest amount also takes into account changes to the net asset during the year.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the consolidated and Company statement of comprehensive income. The pension scheme deficit or surplus, to the extent that they are considered recoverable, are recognised in full on the consolidated balance sheet.

IFRIC 14 confirms that where a company has an unconditional right to a refund of surplus from a defined benefit pension plan during the lifetime of that plan or when it winds it up, and where there is expected to be surplus assets, there is no limit on the asset the Company can show on its balance sheet. At 2 September 2017 and 3 September 2016 the consolidated and Company balance sheet recognises the full surplus on the Carr's Group defined benefit pension scheme.

Carrs Billington Agriculture Pension Scheme

One of the Group's subsidiaries is a participating employer in the Carrs Billington Agriculture Pension Scheme, which is a multi-employer defined benefit pension scheme. Note 26 provides further information on this scheme and how it has been accounted for in the consolidated accounts.

SHARE BASED PAYMENTS

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of a valuation model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

At each balance sheet date the Group revises its estimate of the number of options that are expected to vest. Changes to the fair value recognised as a result of this are charged or credited to the consolidated income statement with a corresponding adjustment to the equity compensation reserve.

INTEREST

Interest is recognised in the consolidated income statement on an accruals basis using the effective interest method.

BORROWING COSTS

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated income statement in the year in which they are incurred.

OPERATING SEGMENTS

IFRS 8 requires operating segments to be identified on the basis of internal financial information about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ('CODM') to allocate resources to the segments and to assess their performance. The CODM has been identified as the Executive Directors.

The CODM considers the business from a product/services perspective. Operating segments have been identified as Agriculture and Engineering.

NON-RECURRING ITEMS

Non-recurring items that are material by size and/or by nature are presented within their relevant income statement category, but highlighted separately on the face of the income statement. Items that management consider fall into this category are also disclosed within a note to the financial statements. The separate disclosure of profit before non-recurring items helps provide a better indication of the Group's underlying business performance. Events which may give rise to non-recurring items include, but are not limited to, gains or losses on the disposal of subsidiaries/businesses, derivative gains or losses in respect of capital expenditure, gains or losses on the disposal of properties, gains or losses on the disposal of material investments, the restructuring of businesses, the integration of new businesses, acquisition related costs, contingent consideration linked to continued employment of key personnel and asset impairments including impairment of goodwill.

GOODWILL

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Goodwill written off to reserves under UK GAAP prior to 31 August 1998 has not been reinstated and would not form part of the gain or loss on the disposal of a business.

OTHER INTANGIBLE ASSETS

Other intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation commences when assets are available for use. The expected useful lives, over which the assets are amortised, are generally as follows:

Customer relationships	1 – 5 years
Brands	15 – 20 years or infinite life
Know-how	5 years
Proprietary technology	13 years
Development costs	5 – 15 years
Patents and trademarks	contractual life
Contract backlog	3 years
Software	3 – 10 years

Customer relationships and brands are amortised in line with the profit and income streams they are respectively expected to generate over their expected useful life.

Other intangible assets are amortised on a straight-line basis.

The cost of intangible assets acquired in a business combination is the fair value at the acquisition date. The cost of separately acquired intangible assets comprises the purchase price and any directly attributable costs of preparing the assets for use.

RESEARCH AND DEVELOPMENT COSTS

All research costs are recognised in the consolidated income statement as incurred. Development costs are recognised as an asset only to the extent that specific recognition criteria, as set out in IAS38 'Intangible assets', relevant to the proposed application are met and the amount recognised is recoverable through future economic benefits.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Cost comprises purchase price and directly attributable costs.

Freehold land and assets in the course of construction are not depreciated. For all other property, plant and equipment, depreciation is calculated on a straight-line basis to allocate cost less residual values of the assets over their estimated useful lives as follows:

Freehold buildings	up to 50 years
Leasehold buildings	shorter of 50 years or lease term
Plant and equipment	3 to 20 years

Residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year-end.

Assets not fully constructed at the balance sheet date are classified as assets in the course of construction. When construction is complete these assets are reclassified to the appropriate heading within property, plant and equipment. Depreciation commences when the asset is ready for use.

The cost of maintenance, repairs and minor equipment is charged to the consolidated income statement as incurred; the cost of major renovations and improvements is capitalised.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the consolidated income statement.

INVESTMENT PROPERTY

Investment properties are properties held for long-term rental yields. Investment properties are carried in the balance sheet at cost less accumulated depreciation. Freehold land is not depreciated. For all other investment property, depreciation is calculated on a straight-line basis to allocate cost less residual values of the assets over their estimated useful lives as follows:

Freehold buildings	up to 50 years

The cost of maintenance, repairs and minor equipment is charged to the consolidated income statement as incurred; the cost of major renovations and improvements is capitalised.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the consolidated income statement.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets are reviewed for impairment where there are any events or changes in circumstances that would indicate potential impairment. In addition, at each reporting date, the Group assesses whether there is any indication that goodwill may be impaired. Where an indicator of impairment exists, the Group makes an estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is written down to its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use and is deemed for an individual asset. If the asset does not generate cash flows that are largely independent of those from other assets or groups of assets, the recoverable amount of the cash generating unit to which the asset belongs is determined. Discount rates reflecting the asset specific risks and the time value of money are used for the value in use calculation.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Where appropriate, cost is calculated on a specific identification basis. Otherwise inventories are valued using the first-in first-out method.

Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Provision has been made, where necessary, for slow moving, obsolete and defective inventories.

Contract work in progress is measured at the selling price of the work performed at the balance sheet date. The selling price is measured by reference to the stage of completion at the balance sheet date and total expected income from the contract work.

Progress payments received are deducted from the value of work in progress except to the extent that payments on account exceed the value of work in progress on any contract where the excess is included in trade and other payables.

Directly attributable, and separately identifiable, costs of bidding for contracts are included in contract costs after the point in time at which it is considered probable that the contract will be obtained.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purposes of the consolidated and Company statement of cash flows comprise cash at bank and in hand, money market deposits and other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are presented in borrowings within current liabilities in the consolidated and Company balance sheet.

GRANTS

Grants received on capital expenditure are recorded as deferred income and taken to the consolidated income statement in equal annual instalments over the expected useful lives of the assets concerned.

Revenue grants and contributions are taken to the consolidated income statement in the year to which they apply.

LEASES

Leases are classified as finance leases at inception where substantially all of the risks and rewards of ownership are transferred to the Group. Assets classified as finance leases are capitalised on the consolidated balance sheet and are depreciated over the shorter of the useful life of the asset and the term of the lease. The interest element of the rental obligations is charged to the consolidated income statement over the period of the lease using the actuarial method.

Rentals paid under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the lease. Leasehold land is normally classified as an operating lease. Payments made to acquire leasehold land are included in prepayments at cost and are amortised over the life of the lease. Any incentives to enter into operating leases are recognised as a reduction of rental expense over the lease term on a straight-line basis.

TAX

The tax charge comprises current tax and deferred tax.

The current tax charge represents an estimate of the amounts payable to tax authorities in respect of the Group's taxable profits.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated and Company financial statements. Deferred tax arising from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, is not recognised. Deferred tax is measured using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the asset is realised or the liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax is recognised in the consolidated income statement, unless the tax relates to items recognised directly in shareholders' equity, in which case the tax is recognised directly in shareholders' equity through the consolidated and Company statement of comprehensive income.

DIVIDENDS

Final equity dividends to the shareholders of the Company are recognised in the year that they are approved by the shareholders. Interim equity dividends are recognised in the year that they are paid.

Dividends receivable are recognised in the period in which they are received.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised on the consolidated and Company balance sheet when the Group and Company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision for impairment, and the amount of the loss is recognised in the consolidated income statement. The provision is utilised when a trade receivable is uncollectible.

Investments

Investments are initially measured at cost, including transaction costs.

Equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured by other means are held at cost.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank borrowings

Interest-bearing loans and overdrafts are recognised initially at fair value net of direct issue costs and are subsequently stated at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedging activities
The Group primarily uses forward foreign currency contracts, options and currency swaps to manage its exposures to fluctuating foreign exchange rates. These instruments are initially recognised at fair value and are subsequently re-measured at their fair value at each balance sheet date.

The Group's policy is to hedge its international assets and it has designated foreign currency loans as a hedge against net investment in foreign operations. The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined as an effective hedge is recognised directly in equity. The gain or loss on any ineffective portion of the hedge is recognised immediately in the consolidated income statement.

NEW STANDARDS AND INTERPRETATIONS

From 4 September 2016 the following became effective and were adopted by the Group and Company:

Amendment to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortisation
Amendment to IAS 16 regarding bearer plants
Amendment to IAS 16 'Property, plant and equipment' on depreciation
Amendment to IAS 27 'Separate financial statements'
Amendment to IFRS 11 'Joint arrangements' on acquisition of an interest in a joint operation
IFRS 14 'Regulatory deferral accounts'
Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exemption

The adoption of these standards and interpretations has had no impact on the Group or Company's profit for the year or equity.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE AND NOT EARLY ADOPTED

Amendment to IAS 7 on disclosure initiative
Amendment to IAS 12 on recognition of deferred tax assets for unrealised losses
IFRIC 23 Uncertainty over income tax
IFRIC 22 Foreign currency transactions and advance consideration
Amendments to IAS 28 on long term interests in associates and joint ventures
IAS 40 'Investment property' transfers of investment property
IFRS 2 Share-based payments amendment on clarifying share based payment transactions
Amendment to IFRS 4 'Insurance contracts' regarding the implementation of IFRS 9 'Financial instruments'
IFRS 9 'Financial instruments'
Amendment to IFRS 9 Financial instruments on general hedge accounting and on prepayment features with negative compensation
IFRS 15 'Revenue from contracts with customers'
Amendments to 'Revenue from contracts with customers' – clarifications
IFRS 16 'Leases'
IFRS 17 'Insurance contracts'

It is considered that the above standards and amendments, with the exception of IFRS 9 'Financial instruments', IFRS 15 'Revenue from contracts with customers' and IFRS 16 'Leases', will not have a significant effect on the results or net assets of the Group or Company.

IFRS 9, "Financial instruments", is effective for accounting periods beginning on or after 1 January 2018, and will therefore first apply to Carr's in the year ending August 2019. IFRS 9 requires entities to provide for possible future credit losses on loans and receivables, including trade receivables, even if it is highly likely that the loan or receivable will be fully collectible. The standard introduces an "expected credit loss" model that focuses on the risk that a loan or receivable will default rather than whether a loss has been incurred. The Group's Agriculture business in particular has material amounts of trade receivables past due and it is expected that IFRS 9 will impact the value of the provision for impairment of trade receivables. The assessment of the impact to the Group is ongoing.

IFRS 15, "Revenue from contracts with customers", is effective for accounting periods beginning on or after 1 January 2018, and will therefore first apply to Carr's in the year ending August 2019. The Group's Agriculture business is not expected to be materially affected by this standard. The Group's Engineering business, however, could be affected depending on the nature of contracts in place at implementation. The assessment of the impact is ongoing. If the performance of the contract does not create an asset with an alternative use and there is an enforceable right to payment for performance completed to date, then performance of the contract will continue to be recognised over time as it is currently.

IFRS 16, "Leases", is effective for period beginning on or after 1 January 2019, and will therefore first apply to Carr's in the year ending August 2020. The Group is currently assessing the impact of the accounting changes that will be required; in particular, leases currently treated as operating leases such as short term property leases, company cars and some IT equipment are likely to be recorded as an asset and a lease liability.

At the date of signing the financial statements the Directors are not yet in a sufficiently advanced stage of their reviews to be able to quantify any financial impact from these three standards.

SIGNIFICANT JUDGEMENTS, KEY ASSUMPTIONS AND ESTIMATES

Application of certain Group accounting policies requires management to make judgements, assumptions and estimates concerning the future as detailed below.

Valuation of pension obligations
The valuation of the Group's defined benefit pension scheme is determined each year following advice from a qualified independent actuary and can fluctuate based on a number of external factors. Such factors include the major assumptions as shown in the table in note 26 and actual returns on scheme assets compared to those predicted in the previous scheme valuation.

Impairment of goodwill
The carrying value of goodwill must be assessed for impairment annually, or more frequently if there are indications that goodwill might be impaired. This requires an estimation of the value in use of the cash generating units to which goodwill is allocated. Value in use is dependent on estimations of future cash flows from the cash generating unit and the use of an appropriate discount rate to discount those cash flows to their present value.

An impairment has been identified in the year (note 11).

Provision for impairment of trade receivables
The financial statements include a provision for impairment of trade receivables (note 20) that is based on management's estimation of recoverability. There is a risk that the provision will not match the trade receivables that ultimately prove to be irrecoverable.

Revenue recognition on construction contracts
Under long term contracts, the Group recognises revenue and profits based on the percentage completion method. This requires management to make an assessment of the overall profitability and the stage of completion of the entire contract in order to determine the level of revenue and profit to recognise.

NOTES TO THE FINANCIAL STATEMENTS

1 The Company has taken advantage of the exemption, under section 408 of the Companies Act 2006, from presenting its own income statement. The profit after tax for the year dealt with in the accounts of the Company was £3,349,000 (2016: £26,362,000).

2 Segmental information

The chief operating decision maker ("CODM") has been identified as the Executive Directors. Management has identified the operating segments based on internal financial information reviewed by the CODM. The CODM considers the business from a product/services perspective. Operating segments have been identified as Agriculture and Engineering. Operating segments have not been aggregated for the purpose of determining reportable segments.

Agriculture aims to provide for all farming requirements. It derives its revenue from the sale of animal feed and feed blocks together with retail sales of farm equipment, fuels and farm consumables.

Engineering derives its revenue from the provision of engineering services and the design and manufacture of bespoke equipment for use in the nuclear, oil and gas, and petrochemical industries. Products include manipulators, robotics, specialist fabrication and precision machining.

Performance is assessed using operating profit. For internal purposes the CODM assesses operating profit before material non-recurring items consistent with the presentation in the financial statements.

Inter-segmental transactions are all undertaken on an arm's length basis.

As segment liabilities are not reviewed by the CODM they are not required to be disclosed under IFRS 8.

The Group has operations in the UK and overseas. In accordance with IFRS 8, entity wide disclosures based on the geography of operations is also presented. The geographical analysis of revenue is presented by revenue origin.

The segmental information for the year ended 2 September 2017 is as follows:

	Agriculture £'000	Engineering £'000	Group £'000
Total segment revenue	315,876	30,390	346,266
Inter segment revenue	(9)	(33)	(42)
Revenue from external customers	315,867	30,357	346,224
EBITDA[1]	11,302	2,084	13,386
Depreciation of property, plant and equipment	(2,696)	(1,397)	(4,093)
Depreciation of investment property	(6)	—	(6)
Profit/(loss) on the disposal of property, plant and equipment	12	(21)	(9)
Operating profit (before amortisation and non-recurring items)	8,612	666	9,278
Amortisation and non-recurring items	(630)	(771)	(1,401)
Operating profit	7,982	(105)	7,877
Finance income			176
Finance costs			(864)
			7,189
Share of post-tax profit of associates			1,609
Share of post-tax profit of joint ventures			1,204
Profit before taxation (before amortisation and non-recurring items)			11,403
Amortisation and non-recurring items			(1,401)
Profit before taxation from continuing operations			10,002

[1] Earnings before interest, tax, depreciation and amortisation (and before profit/(loss) on the disposal of property, plant and equipment)

2 Segmental information (continued)

Assets

	Agriculture £'000	Engineering £'000	Group £'000
Segment gross assets	**136,545**	**72,495**	**209,040**

The segmental information for the year ended 3 September 2016 is as follows:

	Agriculture £'000	Engineering £'000	Group £'000
Total segment revenue	284,836	30,192	315,028
Inter segment revenue	(63)	(58)	(121)
Revenue from external customers	284,773	30,134	314,907
EBITDA[2]	12,931	3,555	16,486
Depreciation of property, plant and equipment	(2,539)	(1,043)	(3,582)
Depreciation of investment property	(6)	—	(6)
Profit on the disposal of property, plant and equipment	12	72	84
Operating profit (before amortisation and non-recurring items)	10,398	2,584	12,982
Amortisation and non-recurring items	(140)	(72)	(212)
Operating profit	10,258	2,512	12,770
Finance income			236
Finance costs			(1,009)
			11,997
Share of post-tax profit of associate			1,239
Share of post-tax profit of joint ventures			842
Profit before taxation (before amortisation and non-recurring items)			14,290
Amortisation and non-recurring items			(212)
Profit before taxation from continuing operations			14,078

[2] Earnings before interest, tax, depreciation and amortisation (and before profit on the disposal of property, plant and equipment)

Assets

	Agriculture £'000	Engineering £'000	Group £'000
Segment gross assets	149,777	52,376	202,153

Entity wide disclosures

Revenues from external customers are derived from the sale of products by individual business segment. The breakdown of revenue by business segment is provided above.

Revenues from external customers:

Continuing operations	2017 £'000	2016 £'000
UK	**296,905**	269,109
Europe	**14,666**	13,343
USA	**34,457**	32,455
New Zealand	**196**	—
	346,224	314,907

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2 Segmental information (continued)

Non-current assets

	2017 UK £'000	2017 Europe £'000	2017 USA £'000	2017 New Zealand £'000	2017 Total £'000	2016 UK £'000	2016 Europe £'000	2016 USA £'000	2016 Total £'000
Goodwill	9,714	6,081	8,446	—	24,241	11,108	313	19	11,440
Other intangible assets	241	491	1,534	—	2,266	—	257	29	286
Property, plant and equipment	21,764	7,302	8,055	28	37,149	22,821	6,642	6,348	35,811
Investment property	176	—	—	—	176	182	—	—	182
Investment in associates	10,911	—	532	—	11,443	8,667	—	—	8,667
Interest in joint ventures	1,771	2,175	2,644	—	6,590	1,717	2,554	1,986	6,257
Other investments	50	—	23	—	73	50	—	22	72
Non-current receivables	50	—	712	—	762	50	—	—	50
Retirement benefit asset	5,209	—	—	—	5,209	311	—	—	311
	49,886	16,049	21,946	28	87,909	44,906	9,766	8,404	63,076

Major customers

There are no revenues from transactions with individual customers which amount to ten percent or more of Group revenue.

3 Group operating profit

	2017 £'000 Continuing operations	2017 £'000 Discontinued operations	2016 £'000 Continuing operations	2016 £'000 Discontinued operations
Group operating profit is stated after (crediting)/charging:				
Amortisation of grants	(53)	—	(53)	(100)
Loss/(profit) on disposal of property, plant and equipment	215	—	(84)	(6)
Depreciation of property, plant and equipment	4,093	—	3,582	1,875
Depreciation of owned investment property	6	—	6	13
Amortisation of intangible assets	124	—	205	14
Goodwill impairment (note 4)	1,700	—	—	—
Business combination expenses (note 4)	1,349	—	7	—
Release of contingent consideration (note 4)	(2,090)	—	—	—
Restructuring costs (note 4)	112	—	—	—
Foreign exchange gains	(152)	—	(383)	(206)
Derivative financial instruments (gains)/losses	(17)	—	70	74
Operating lease charges	1,446	—	1,299	730
Research and development expense	1,258	—	1,320	1,046
Auditors' remuneration:				
Audit services (Company £15,914; 2016: £15,450)	77	—	76	—
The auditing of accounts of subsidiaries of the Company pursuant to legislation (including overseas)	119	—	159	21
Total audit services	196	—	235	21
Taxation compliance services	—	—	27	—
Other taxation advisory services	—	—	70	—
Other non-audit services	10	—	6	—
Total non-audit services	10	—	103	—
Included within Group operating profit is the following in respect of investment property leased to, and occupied by, external parties:				
Rental income	(41)	—	(42)	(13)
Operating expenses	42	—	44	22
	1	—	2	9

4 Amortisation and non-recurring items

	2017 £'000	2016 £'000
Amortisation of intangible assets	124	205
Goodwill impairment	1,700	—
Business combination expenses	1,349	7
Release of contingent consideration	(2,090)	—
Restructuring costs	112	—
Loss on property disposal	206	—
	1,401	212

The goodwill impairment of £1,700,000 is discussed further in note 11.

Business combination expenses of £1,349,000 relate to acquisition costs incurred in the year as well as contingent consideration in relation to the prior year acquisition of Phoenix Feeds Ltd which is explained further below.

Phoenix Feeds Ltd was acquired on 1 June 2016 for cash consideration of £1,744,000 including £490,000 of contingent consideration. The contingent consideration is linked to the continued employment of key personnel and therefore in accordance with IFRS 3 this was not recognised as consideration in the acquisition accounting in the year ended 3 September 2016 and is instead being recognised in the income statement over a two year period. Given the nature of the payment it has been recognised as a non-recurring item.

The release of contingent consideration of £2,090,000 relates to the acquisition of Chirton Engineering Ltd which was acquired in year ended 2014. This is discussed further in note 23.

Restructuring costs comprise redundancy costs.

A loss of £206,000 was incurred on the disposal of a property that was no longer required following the relocation of one of the Group's Agriculture business stores.

5 Staff costs

The tables below include Executive Directors but exclude Non-Executive Directors.

	Group				Company	
	2017		2016		2017	2016
	Continuing operations £'000	Discontinued operations £'000	Continuing operations £'000	Discontinued operations £'000	Continuing operations £'000	Continuing operations £'000
Wages and salaries	30,543	—	27,321	5,643	1,286	1,565
Social security costs	3,458	—	3,065	581	276	238
Pension costs	2,034	—	1,478	473	277	(74)
Share based payments	485	—	(99)	3	348	(119)
	36,520	—	31,765	6,700	2,187	1,610

Included within pension costs for both Group and Company is a charge of £59,000 (2016: credit of £287,000) in respect of the defined benefit pension scheme (note 26).

The average monthly number of employees during the year was made up as follows:

	Group				Company	
	2017		2016		2017	2016
	Continuing operations Number	Discontinued operations Number	Continuing operations Number	Discontinued operations Number	Continuing operations Number	Continuing operations Number
Sales, office and management	507	—	504	70	26	23
Manufacture and distribution	429	—	401	102	—	—
	936	—	905	172	26	23

Key management are considered to be the Directors of the Group.

Full details of the Directors' emoluments, pension benefits and share options are given in the Remuneration Committee Report on pages 33-43.

6 Finance income and finance costs

Continuing operations	2017 £'000	2016 £'000
Finance income		
Bank interest	127	126
Net interest on the net defined benefit retirement asset (note 26)	6	94
Interest on loan with associate	6	—
Other interest	37	16
Total finance income	176	236
Finance costs		
Interest payable on bank overdrafts	(115)	(130)
Interest payable on bank loans and other borrowings	(551)	(735)
Interest payable on finance leases	(73)	(78)
Other interest	(125)	(66)
Total finance costs	(864)	(1,009)

7 Taxation

(a) Analysis of the charge in the year

Continuing operations	2017 £'000	2016 £'000
Current tax:		
UK corporation tax		
Current year	887	952
Adjustment in respect of prior years	(144)	173
Foreign tax		
Current year	591	680
Adjustment in respect of prior years	(8)	—
Group current tax	1,326	1,805
Deferred tax:		
Origination and reversal of timing differences		
Current year	442	1,177
Adjustment in respect of prior years	(61)	(75)
Group deferred tax (note 18)	381	1,102
Tax on profit from ordinary activities	1,707	2,907

7 Taxation (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2016: higher) than the rate of corporation tax in the UK of 19.58% (2016: 20%). The differences are explained below:

Continuing operations	2017 £'000	2016 £'000
Profit before taxation	**10,002**	14,078
Tax at 19.58% (2016: 20%)	**1,958**	2,816
Effects of:		
Tax effect of share of profit in associates and joint ventures	**(551)**	(416)
Tax effect of expenses that are not allowable in determining taxable profit	**494**	—
Tax effect of non-taxable income	**(418)**	(105)
Effects of different tax rates of foreign subsidiaries	**473**	704
Effects of changes in tax rates	**(36)**	(190)
Adjustment in respect of prior years	**(213)**	98
Total tax charge for the year	**1,707**	2,907

The tax effect of expenses that are not allowable in determining taxable profit includes the non-recurring items of goodwill impairment and business combination expenses (note 4). These have been treated as disallowable for tax purposes. The tax effect of non-taxable income includes the release of contingent consideration in respect of the Chirton Engineering acquisition in 2014 (note 4).

(c) Factors affecting future tax charges

The main rate of UK corporation tax has been reduced from 20% to 19% with effect from 1 April 2017 and from 19% to 17% with effect from 1 April 2020. These rate reductions were substantively enacted before the year end and as the Directors consider the deferred tax balances are expected to reverse after 1 April 2020 the tax rate used for deferred tax at the year end is 17%.

8 Discontinued operations

In the prior year Carr's Group plc disposed of its entire shareholding in Carr's Flour Mills Ltd for a gross consideration of £36m on a cash and debt free basis, less costs to sell.

An analysis of the result of discontinued operations, and the gain recognised on the re-measurement to fair value less costs to sell, is as follows:

	2017 £'000	2016 £'000
Revenue	**—**	71,440
Expenses	**—**	(67,950)
Profit before taxation of discontinued operations	**—**	3,490
Taxation	**—**	(712)
Profit after taxation of discontinued operations	**—**	2,778
Pre-taxation gain recognised on the measurement to fair value less costs to sell	**—**	39
Taxation	**—**	—
After taxation gain recognised on the measurement to fair value less costs sell	**—**	39
Profit for the year from discontinued operations	**—**	2,817

9 Dividends

Equity	2017 £'000	2016 £'000
Second interim paid for the year ended 3 September 2016 of 0.95p per 2.5p share (2015: 0.925p)	**866**	830
Special dividend of 17.54p per 2.5p share	**15,996**	—
Final dividend for the year ended 3 September 2016 of 1.9p per 2.5p share (2015: 1.85p)	**1,736**	1,662
First interim paid for the year ended 2 September 2017 of 0.95p per 2.5p share (2016: 0.95p)	**869**	855
	19,467	3,347

A special dividend of £15,996,351, being 17.54p per share, was paid in October 2016 following the disposal of Carr's Flour Mills Ltd.

Since the year end a second interim dividend of £868,258, being 0.95p per share, has been paid. The financial statements do not reflect the dividend payable.

The proposed final dividend for the year ended 2 September 2017 to be considered by shareholders at the Annual General Meeting is £1,919,455, being 2.1p per share, making a total for the year, excluding the special dividend, of 4.0p (2016: 3.8p). Shares held in treasury do not carry entitlement to a dividend. The financial statements do not reflect this proposed final dividend as payable.

10 Earnings per ordinary share

Earnings per share are calculated by reference to a weighted average of 91,355,427 shares (2016: 90,087,357) in issue during the year.

Amortisation and non-recurring items that are charged or credited to profit do not relate to the underlying profitability of the Group. Therefore an adjusted earnings per share is presented as follows:

	2017		2016	
	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
Continuing operations				
Earnings per share – basic	7,005	7.7	9,638	10.7
Amortisation and non-recurring items:				
Amortisation of intangible assets	124	0.1	205	0.2
Goodwill impairment	1,700	1.9	—	—
Business combination expenses	1,349	1.5	7	—
Release of contingent consideration	(2,090)	(2.3)	—	—
Restructuring costs	112	0.1	—	—
Loss on property disposal	206	0.2	—	—
Taxation effect of the above	(88)	(0.1)	(47)	—
Non-controlling interest in the above	(175)	(0.2)	—	—
Earnings per share – adjusted	8,143	8.9	9,803	10.9
Discontinued operations				
Earnings per share – basic	—	—	2,817	3.1
Amortisation and non-recurring items:				
Amortisation of intangible assets	—	—	14	—
Profit on disposal of subsidiary	—	—	(39)	—
Earnings per share – adjusted	—	—	2,792	3.1
Total (basic)	7,005	7.7	12,455	13.8
Total (adjusted)	8,143	8.9	12,595	14.0

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 potentially dilutive ordinary shares, where the exercise price is less than the average market price of the Company's ordinary shares during the year, are disclosed in note 28.

	2017			2016		
	Earnings £'000	Weighted average number of shares	Earnings per share pence	Earnings £'000	Weighted average number of shares	Earnings per share pence
Continuing operations						
Earnings per share	7,005	91,355,427	7.7	9,638	90,087,357	10.7
Effect of dilutive securities:						
Share option scheme	—	—	—	—	78,032	—
Share save scheme	—	227,605	—	—	1,317,329	(0.2)
Long term incentive plan	—	542,288	(0.1)	—	551,437	—
Diluted earnings per share	7,005	92,125,320	7.6	9,638	92,034,155	10.5
Discontinued operations						
Earnings per share	—	—	—	2,817	90,087,357	3.1
Effect of dilutive securities:						
Share option scheme	—	—	—	—	78,032	—
Share save scheme	—	—	—	—	1,317,329	(0.1)
Long term incentive plan	—	—	—	—	551,437	—
Diluted earnings per share	—	—	—	2,817	92,034,155	3.0
	7,005	92,125,320	7.6	12,455	92,034,155	13.5

10 Earnings per ordinary share (continued)

	2017 Adjusted earnings £'000	2017 Weighted average number of shares	2017 Earnings per share pence	2016 Adjusted earnings £'000	2016 Weighted average number of shares	2016 Earnings per share pence
Continuing operations Diluted adjusted earnings per share	**8,143**	**92,125,320**	**8.8**	9,803	92,034,155	10.7
Discontinued operations Diluted adjusted earnings per share	**—**	**—**	**—**	2,792	92,034,155	3.0
	8,143	**92,125,320**	**8.8**	12,595	92,034,155	13.7

11 Goodwill and other intangible assets

Group	Goodwill £'000	Customer relationships £'000	Know-how, technology and development costs £'000	Brands, patents and trademarks £'000	Contract back-log £'000	Software £'000	Total £'000
Cost							
At 29 August 2015	11,174	3,371	240	741	—	560	16,086
Exchange differences	3	—	—	56	—	77	136
Subsidiaries/businesses acquired	783	39	—	—	—	—	822
Additions	—	—	—	8	—	54	62
Subsidiary disposed	—	(2,094)	—	(357)	—	—	(2,451)
Disposals	(195)	—	—	—	—	—	(195)
At 3 September 2016	**11,765**	**1,316**	**240**	**448**	**—**	**691**	**14,460**
Exchange differences	**319**	**—**	**7**	**50**	**4**	**63**	**443**
Subsidiaries/businesses acquired	**14,182**	**36**	**216**	**1,195**	**232**	**5**	**15,866**
Additions	**—**	**—**	**219**	**12**	**—**	**140**	**371**
Disposals	**—**	**(1,316)**	**(240)**	**—**	**—**	**(6)**	**(1,562)**
At 2 September 2017	**26,266**	**36**	**442**	**1,705**	**236**	**893**	**29,578**
Accumulated amortisation and impairment							
At 29 August 2015	325	3,290	240	494	—	440	4,789
Exchange differences	—	—	—	36	—	64	100
Charge for the year	—	120	—	43	—	56	219
Subsidiary disposed	—	(2,094)	—	(280)	—	—	(2,374)
At 3 September 2016	**325**	**1,316**	**240**	**293**	**—**	**560**	**2,734**
Exchange differences	**—**	**—**	**1**	**18**	**—**	**56**	**75**
Charge for the year	**—**	**—**	**21**	**32**	**7**	**64**	**124**
Impairment	**1,700**	**—**	**—**	**—**	**—**	**—**	**1,700**
Disposals	**—**	**(1,316)**	**(240)**	**—**	**—**	**(6)**	**(1,562)**
At 2 September 2017	**2,025**	**—**	**22**	**343**	**7**	**674**	**3,071**
Net book amount							
At 29 August 2015	10,849	81	—	247	—	120	11,297
At 3 September 2016	11,440	—	—	155	—	131	11,726
At 2 September 2017	**24,241**	**36**	**420**	**1,362**	**229**	**219**	**26,507**

During the year goodwill of £14,182,000 arose on acquisitions (note 29). An impairment of £1,700,000 was recognised in the year which is discussed later in this note.

During the year cost and accumulated amortisation of £1,316,000 in respect of customer relationships and cost and accumulated amortisation of £240,000 in respect of know-how were disposed from the table above. These intangible assets have been fully amortised and have therefore been removed.

During the prior year there was a disposal of £195,000 in respect of the dissolution of dormant subsidiaries. This was partially offset by an adjustment to non-controlling interests of £104,000.

During the prior year goodwill totalling £783,000 arose on the acquisitions of Green (Agriculture) Co and Phoenix Feeds Ltd. Goodwill represented the excess of the consideration paid over the Group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash generating units that are expected to benefit from the synergies of the combination.

11 Goodwill and other intangible assets (continued)
The carrying value of goodwill has been allocated to the following cash generating units:

	2 September 2017 £'000	3 September 2016 £'000
Carrs Billington Agriculture (Sales) Ltd – Johnstone Wallace Oils profit centre	**781**	781
Carrs Billington Agriculture (Sales) Ltd – Borders profit centre	**264**	264
Carrs Billington Agriculture (Sales) Ltd – Wooler profit centre	**369**	369
Carrs Billington Agriculture (Sales) Ltd – Safe at Work profit centre	**568**	568
Carrs Billington Agriculture (Sales) Ltd – Laycocks profit centre	**125**	125
Carrs Billington Agriculture (Sales) Ltd – Wales profit centre	**626**	626
Carrs Billington Agriculture (Sales) Ltd – Reid and Robertson profit centre	**873**	783
Carrs Billington Agriculture (Sales) Ltd – Morpeth profit centre	**80**	80
Carrs Billington Agriculture (Sales) Ltd – Phoenix profit centre	**703**	703
Carrs Billington Agriculture (Sales) Ltd – Mortimer profit centre	**215**	—
Carrs Agriculture Ltd – Scotmin profit centre	**2,068**	2,068
Animal Feed Supplement, Inc. – Silver Springs profit centre	**19**	18
Wälischmiller Engineering GmbH	**6,081**	313
Carr's Engineering Ltd – Bendalls Engineering profit centre	**516**	516
Carr's Engineering Ltd – Chirton profit centre	**2,526**	4,226
NuVision Engineering, Inc.	**8,427**	—
	24,241	11,440

Goodwill arising on the acquisition of overseas subsidiaries has been retranslated at the balance sheet date.

Goodwill is tested annually for impairment, or more frequently if there are indications that goodwill might be impaired. Goodwill is tested for impairment by estimating future cash flows from the cash generating units to which goodwill has been allocated and discounting those cash flows to their present value. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. The key assumptions in this calculation are the levels of future cash flows, particularly in the perpetuity period, and the discount rate. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units.

Cash flows are estimated using the most recent budget information for the year to August 2018, which has been approved by the Board and forecast information for the four years to August 2022 based on medium term business plans and an assumption for long term growth of between 1-3% excluding inflation. The pre-tax discount rates used to discount the forecast cash flows for all cash generating units is 4.86% – 10.32% (2016: 5.43% – 10.38%).

The Directors consider the assumptions adopted in calculating the cash flows to be consistent with historical performance and to be reasonable given current market conditions.

Given the current state of the oil market the Directors placed particular attention to the impairment review on the carrying value of goodwill relating to the Chirton profit centre.

Although the performance of the Chirton profit centre has improved this year versus the previous year the sustained downturn in the oil and gas sector continues to work against Chirton in its major market. The oil price is viewed as a leading indicator of the health of the future market, and currently this has failed to recover to any extent from last year. There are no immediate signs of it recovering any further, so our business plan has been revised downwards to reflect this.

A pre-tax discount rate of 10.32% was used for the impairment testing of goodwill allocated to this cash generating unit. Details of other key assumptions are shown in the table below. An impairment of £1.7m has been recognised against the carrying value of goodwill.

Significant headroom exists in each of the other cash generating units and, based on the stress testing performed, reasonable possible changes in the assumptions would not cause the carrying amount of the cash generating units to equal or to exceed their recoverable amount.

Amortisation and impairment charges are recognised within administrative expenses and have been highlighted separately within amortisation and non-recurring items (note 4).

There is no goodwill or intangible assets in the Company (2016: none).

Significant cash generating units
The following key assumptions have been used in the impairment testing for goodwill with a significant carrying value:

	Goodwill carrying value before impairment £'000	Pre-tax discount rate %	Long term average annual change in cash flows %	Long term growth rate %
Cash generating unit				
NuVision Engineering, Inc.	8,427	10.32	2	2
Wälischmiller Engineering GmbH	6,081	10.32	—	2
Carr's Engineering Ltd – Chirton profit centre	4,226	10.32	4	2
Carrs Agriculture Ltd – Scotmin profit centre	2,068	4.86	6	2

Stress testing of the future cash flows generated from these cash generating units shows that an impairment of goodwill would potentially arise should cash flows fall by 44% in NuVision Engineering GmbH, by 35% in Wälischmiller Engineering GmbH and by 94% in the Scotmin profit centre. Stress testing of the future cash flows generated from the Chirton profit centre show that an additional impairment of goodwill of £0.3m would have been recognised, in addition to the £1.7m actually recognised in the year, should cash flows fall by 5%. This rises to £0.6m and £1.1m should cash flows fall by 10% and 20% respectively.

12 Property, plant and equipment

Group	Land and buildings £'000	Plant and equipment £'000	Assets in the course of construction £'000	Total £'000
Cost				
At 29 August 2015	36,069	75,656	2,436	114,161
Exchange differences	1,023	1,167	284	2,474
Subsidiaries/businesses acquired	—	25	—	25
Additions	1,512	4,791	948	7,251
Subsidiary disposed	(14,648)	(41,704)	—	(56,352)
Disposals	(5)	(1,607)	—	(1,612)
Reclassifications	1,721	104	(1,825)	—
At 3 September 2016	**25,672**	**38,432**	**1,843**	**65,947**
Exchange differences	**689**	**521**	**33**	**1,243**
Subsidiaries/businesses acquired	**8**	**1,584**	**10**	**1,602**
Additions	**449**	**3,032**	**406**	**3,887**
Disposals	**(691)**	**(1,553)**	**—**	**(2,244)**
Reclassifications	**116**	**975**	**(1,091)**	**—**
At 2 September 2017	**26,243**	**42,991**	**1,201**	**70,435**
Accumulated depreciation				
At 29 August 2015	7,840	47,936	—	55,776
Exchange differences	193	885	—	1,078
Charge for the year	917	4,540	—	5,457
Subsidiary disposed	(3,273)	(27,590)	—	(30,863)
Disposals	—	(1,312)	—	(1,312)
At 3 September 2016	**5,677**	**24,459**	**—**	**30,136**
Exchange differences	**89**	**306**	**—**	**395**
Charge for the year	**759**	**3,334**	**—**	**4,093**
Disposals	**(92)**	**(1,246)**	**—**	**(1,338)**
At 2 September 2017	**6,433**	**26,853**	**—**	**33,286**
Net book amount				
At 29 August 2015	28,229	27,720	2,436	58,385
At 3 September 2016	19,995	13,973	1,843	35,811
At 2 September 2017	**19,810**	**16,138**	**1,201**	**37,149**

Freehold land amounting to £2,938,879 (2016: £3,008,879) has not been depreciated.

The net book amount of plant and equipment includes £2,829,604 (2016: £3,206,805) in respect of assets held under finance leases. This consists of cost of £4,241,494 (2016: £5,046,733) less accumulated depreciation of £1,411,890 (2016: £1,839,928). The finance lease lessors hold security over the assets held under finance leases.

Under the Group's banking facilities the lenders have legal charges over certain properties together with floating charges over the assets of certain businesses. The net book amount of specific assets held under legal charges at the balance sheet date was £1,613,000 (2016: £1,667,000).

Included in the above table in respect of assets held under floating charges are assets with a net book amount of £6,702,000 (2016: £6,327,000). This excludes specific assets under legal charge and assets secured under finance leases both of which are separately disclosed above.

12 Property, plant and equipment (continued)

Depreciation is recognised within the Consolidated Income Statement as shown below:

	2017 £'000	2016 £'000
Cost of sales	3,536	4,896
Distribution costs	—	46
Administrative expenses	557	515
	4,093	5,457

The Company has no property, plant and equipment (2016: none).

13 Investment property

Group	Total £'000
Cost	
At 29 August 2015	922
Subsidiary disposed	(623)
At 3 September 2016 and 2 September 2017	**299**
Accumulated depreciation	
At 29 August 2015	286
Charge for the year	19
Subsidiary disposed	(188)
At 3 September 2016	117
Charge for the year	6
At 2 September 2017	**123**
Net book amount	
At 29 August 2015	636
At 3 September 2016	182
At 2 September 2017	**176**

The fair value of investment properties at 2 September 2017 is £360,000 (2016: £360,000). Investment properties were valued by independent professionally qualified valuers in October 2016.

There is no investment property in the Company (2016: none).

14 Investments

Group	Associates £'000	Joint ventures £'000	Other investments £'000	Total £'000
Cost				
At 29 August 2015	8,439	5,012	88	13,539
Exchange difference	—	472	3	475
Disposals	—	—	(10)	(10)
Redemption of preference shares	—	(150)	—	(150)
Share of post-tax profit	1,239	842	—	2,081
Share of (losses)/gains recognised directly in equity	(1,011)	194	—	(817)
Dividend paid by joint venture	—	(113)	—	(113)
At 3 September 2016	**8,667**	**6,257**	**81**	**15,005**
Exchange difference	**9**	**209**	**1**	**219**
Acquisitions	**544**	**—**	**—**	**544**
Redemption of preference shares	**—**	**(150)**	**—**	**(150)**
Share of post-tax profit	**1,609**	**1,204**	**—**	**2,813**
Share of gains recognised directly in equity	**859**	**37**	**—**	**896**
Dividend paid by associate and joint ventures	**(245)**	**(967)**	**—**	**(1,212)**
At 2 September 2017	**11,443**	**6,590**	**82**	**18,115**
Accumulated provision for impairment				
At 29 August 2015, 3 September 2016 and 2 September 2017	**—**	**—**	**9**	**9**
Net book amount				
At 29 August 2015	8,439	5,012	79	13,530
At 3 September 2016	8,667	6,257	72	14,996
At 2 September 2017	**11,443**	**6,590**	**73**	**18,106**

During the year Mid Columbia Engineering, Inc. was brought into the Group as an associate following the acquisition of NuVision Engineering, Inc., which holds 49% of the issued share capital of Mid Columbia Engineering, Inc. (note 15).

Other investments comprise shares in several private limited companies. These investments have been classified as unquoted investments for which fair value cannot be reliably measured and are held at cost less accumulated impairment.

14 Investments (continued)

Company	Shares in subsidiaries £'000	Associate £'000	Joint ventures £'000	Total £'000
Cost				
At 29 August 2015	18,438	245	272	18,955
Subsidiary disposed	(264)	–	–	(264)
Subsidiaries dissolved	(1,605)	–	–	(1,605)
Share based payment credit in respect of employees of subsidiary undertakings	(297)	–	–	(297)
At 3 September 2016	**16,272**	**245**	**272**	**16,789**
Investment in subsidiaries	**14,780**	**–**	**–**	**14,780**
Share based payment credit in respect of employees of subsidiary undertakings	**(66)**	**–**	**–**	**(66)**
At 2 September 2017	**30,986**	**245**	**272**	**31,503**
Accumulated provision for impairment				
At 29 August 2015	6,233	–	–	6,233
Subsidiaries dissolved	(1,439)	–	–	(1,439)
At 3 September 2016 and at 2 September 2017	**4,794**	**–**	**–**	**4,794**
Net book amount				
At 29 August 2015	12,205	245	272	12,722
At 3 September 2016	11,478	245	272	11,995
At 2 September 2017	**26,192**	**245**	**272**	**26,709**

Investment in subsidiaries of £14,780,000 represents the increased shareholding in a subsidiary following the capitalisation of inter-company debt together with the investment in two new subsidiaries Carr's International Finance Limited and Carr's Engineering (US), Inc.

During the prior year several dormant companies with a combined cost of £1,605,000 and a combined accumulated provision for impairment of £1,439,000 were dissolved.

15 Investment in associates

The associated undertakings at 2 September 2017 are:

Group

Name	Proportion of shares held Ordinary %	Country of incorporation	Country of operation	Activity
Carrs Billington Agriculture (Operations) Ltd	49	England	UK	Manufacture of animal feed
Mid Columbia Engineering, Inc.	49	US	US	Engineering

The investment in Carrs Billington Agriculture (Operations) Ltd is held directly by the Company. The investment in Mid Columbia Engineering, Inc. is held directly by NuVision Engineering, Inc., which was acquired during the year.

The Group does not have the ability to control the financial and operating policies of its associates. The Group has a 49% shareholding in both associates and a minority representation on the Board of Directors.

Associates are accounted for using the equity method.

At the year end Carrs Billington Agriculture (Operations) Ltd had capital commitments of £308,000 (2016: £178,000). No contingent liabilities exist within the associates.

The aggregate amounts relating to the associates, of which the Group recognises 49% in the net investment in associates, are:

	2017 £'000	2016 £'000
Total assets	**39,878**	37,438
Total liabilities	**(16,525)**	(19,751)
Revenues	**115,797**	98,445
Profit after tax	**3,284**	2,528

16 Interest in joint ventures

The joint ventures at 2 September 2017 are:

Group

Name	Interest held Equity %	Non-equity %	Country of incorporation	Country of operation	Activity
Crystalyx Products GmbH	50	–	Germany	Germany	Manufacture of animal feed blocks
Bibby Agriculture Ltd	26	26	England	UK	Sale of agricultural products
Afgritech Ltd	50	–	England	UK	Holding company
Afgritech LLC	50	–	USA	USA	Producers of ingredients of animal feed
Gold-Bar Feed Supplements LLC	50	–	USA	USA	Manufacture of animal feed blocks
ACC Feed Supplement LLC	50	–	USA	USA	Manufacture of animal feed blocks
Silloth Storage Company Ltd	50	–	England	UK	Storage of molasses

Crystalyx Products GmbH has a 31 December accounting year end.

Silloth Storage Company Ltd extended its accounting year end from 30 June to 31 December.

Interests in the joint ventures listed above are held directly by the holding Company with the following exceptions: Carrs Billington Agriculture (Sales) Ltd holds 50% of the ordinary share capital and 50% of the preference share capital in Bibby Agriculture Ltd. Carrs Agriculture Ltd holds 50% of the ordinary share capital in Silloth Storage Company Ltd. Animal Feed Supplement, Inc. holds the interest in Gold-Bar Feed Supplements LLC and ACC Feed Supplement LLC. Afgritech Ltd has 100% control of Afgritech LLC. The preference shares in Bibby Agriculture Ltd are redeemable with three months notice, carry no dividend entitlement except at the Directors' discretion, and no voting rights.

Joint ventures are accounted for using the equity method.

At the year end the joint ventures had capital commitments of £461,000 (2016: £nil). No contingent liabilities exist within the joint ventures.

The aggregate amounts included in the financial statements relating to the Group's share of joint ventures are:

	2017 £'000	2016 £'000
Non-current assets	**7,658**	6,232
Current assets	**6,343**	6,144
Current liabilities	**(5,200)**	(4,268)
Non-current liabilities	**(2,248)**	(2,038)
Income	**30,175**	24,204
Expenses	**(28,567)**	(23,202)
Net finance cost	**(73)**	(52)

Goodwill of £17,000 arose on the investment in Silloth Storage Company Ltd. This is included in the carrying amount of the Group's interest in joint ventures and is not shown as a separate asset.

Included within interest in joint ventures is an amount of £20,000 (2016: £170,000) which relates to the Group's interest in the preference share capital of Bibby Agriculture Ltd.

17 Investment in subsidiary undertakings

Name	Proportion of shares held Ordinary %	Country of incorporation	Country of operation	Activity
Carrs Agriculture Ltd	100	England[1]	UK	Manufacture of animal feed/mineral blocks and ingredients of animal feed
Carrs Billington Agriculture (Sales) Ltd	51	England[1]	UK	Agricultural retailers
Animal Feed Supplement, Inc.	100	USA[2]	USA	Manufacture of animal feed blocks
Horslyx LLC	100	USA[3]	USA	Distributor of animal feed blocks
Carr's Supplements (NZ) Ltd	100	New Zealand[4]	New Zealand	Distributor of animal feed blocks
Conegar S.A.	100	Uruguay[7]	Uruguay	Distributor of animal feed blocks
Carr's Supplements (Brasil) Nutrição Animal Ltda	100	Brazil[8]	Brazil	Distributor of animal feed blocks
Carr's Engineering Ltd	100	England[1]	UK	Engineering
Wälischmiller Engineering GmbH	100	Germany[5]	Germany	Engineering
Carr's Engineering (US), Inc.	100	US[6]	US	Holding Company
ESI Holding Company, Inc.	100	US[6]	US	Holding Company
NuVision Engineering, Inc.	100	US[6]	US	Engineering
B.R.B. Trust Ltd	100	England[1]	UK	Financial services
Carrs Properties Ltd	100	England[1]	UK	Property holding
Carr's International Finance Ltd	100	England[1]	UK	Finance Company

[1] Registered Office address: Old Croft, Stanwix, Carlisle, Cumbria CA3 9BA [2] Registered Office address: 101 Roanoke Avenue, Poteau, Oklahoma 74953, USA
[3] Registered Office address: 810 Waterman Drive, Watertown, New York 13601, USA [4] Registered Office address: 515a Wairakei Road, Burnside, Christchurch 8053, New Zealand
[5] Registered Office address: Schießstattweg 16, 88677 Markdorf, Germany [6] Registered Office address: 2403 Sidney Street, Suite 700, Pittsburgh, Pennsylvania 15203, USA
[7] Registered Office address: Juncal 1305, Piso 18, Montevideo, Uruguay [8] Registered Office address: Avenida Bernardino de Campos, 98, Andar 7, Sala 47, Paraiso, São Paulo – SP, 04.004-040, Brasil

During the prior year the Company disposed of its investment in Carr's Flour Mills Ltd (note 8). Dormant subsidiaries are listed on page 107 of this Annual Report and Accounts.

Investments in the subsidiaries listed above are held directly by the Company with the following exceptions: Carr's Engineering Ltd holds 100% of the investment in Wälischmiller Engineering GmbH; Carrs Agriculture Ltd holds 100% of the investment in Horslyx LLC, Carr's Supplements (NZ) Ltd, Conegar S.A. and Carr's Supplements (Brasil) Nutrição Animal Ltda; and Carr's Engineering (US), Inc. holds 100% of the investment in ESI Holding Company, Inc. which in turn holds 100% of the investment in NuVision Engineering, Inc.

Since the year end ESI Holding Company, Inc. has been merged with NuVision Engineering, Inc.

18 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Liabilities	
Group	**2017 £'000**	2016 £'000
Accelerated tax depreciation	**(2,118)**	(1,230)
Employee benefits	**(886)**	(56)
Other	**(1,006)**	(531)
Tax liabilities	**(4,010)**	(1,817)

Deferred tax liabilities are expected to reverse after more than one year from the balance sheet date.

Movement in deferred tax during the year

	At 4 September 2016 £'000	Exchange differences £'000	In respect of acquisitions £'000	Recognised in income £'000	Recognised in equity £'000	**At 2 September 2017 £'000**
Liabilities:						
Accelerated tax depreciation	(1,230)	**(23)**	**(968)**	**103**	**—**	**(2,118)**
Employee benefits	(56)	**—**	**—**	**12**	**(842)**	**(886)**
Other	(531)	**(46)**	**67**	**(496)**	**—**	**(1,006)**
	(1,817)	**(69)**	**(901)**	**(381)**	**(842)**	**(4,010)**

Other deferred tax assets and liabilities includes deferred tax on short term timing differences, rolled over capital gains, trading losses, capital losses, business combinations and overseas deferred tax.

18 Deferred tax assets and liabilities (continued)

Movement in deferred tax during the prior year

	At 30 August 2015 £'000	Exchange differences £'000	In respect of acquisitions £'000	In respect of disposals £'000	Recognised in income £'000	Recognised in equity £'000	At 3 September 2016 £'000
Assets:							
Other	861	38	–	(22)	(877)	–	–
	861	38	–	(22)	(877)	–	–
Liabilities:							
Accelerated tax depreciation	(2,996)	(42)	(8)	1,995	(179)	–	(1,230)
Employee benefits	(353)	–	–	–	(193)	490	(56)
Other	(835)	(35)	–	192	147	–	(531)
	(4,184)	(77)	(8)	2,187	(225)	490	(1,817)
Net liabilities	(3,323)	(39)	(8)	2,165	(1,102)	490	(1,817)

	Assets		Liabilities		Net	
Company	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
Accelerated tax depreciation	**8**	2	**–**	–	**8**	2
Employee benefits	**–**	–	**(886)**	(56)	**(886)**	(56)
Other	**51**	–	**–**	–	**51**	–
Tax assets/(liabilities)	**59**	2	**(886)**	(56)	**(827)**	(54)

Movement in deferred tax during the year

	At 4 September 2016 £'000	Recognised in income £'000	Recognised in equity £'000	**At 2 September 2017 £'000**
Assets:				
Accelerated tax depreciation	2	**6**	**–**	**8**
Other	–	**51**	**–**	**51**
	2	**57**	**–**	**59**
Liabilities:				
Employee benefits	(56)	**12**	**(842)**	**(886)**
	(56)	**12**	**(842)**	**(886)**
Net liabilities	(54)	**69**	**(842)**	**(827)**

Movement in deferred tax during the prior year

	At 30 August 2015 £'000	Recognised in income £'000	Recognised in equity £'000	At 3 September 2016 £'000
Assets:				
Accelerated tax depreciation	3	(1)	–	2
Liabilities:				
Employee benefits	(353)	(193)	490	(56)
Net liabilities	(350)	(194)	490	(54)

Tax of £90,000 (2016: £120,000) in respect of tax losses has not been recognised as a deferred tax asset in the Group balance sheet.
Tax of £37,000 (2016: £39,000) in respect of tax losses has not been recognised as a deferred tax asset in the Company balance sheet.

19 Inventories

Group	2017 £'000	2016 £'000
Raw materials and consumables	10,082	8,377
Work in progress	3,174	2,800
Finished goods and goods for resale	23,767	22,246
	37,023	33,423

Inventories are stated after a provision for impairment of £366,000 (2016: £651,000). The amount recognised as an expense in the year in respect of the write down of inventories is £nil (2016: £237,000). The amount recognised as a credit in the year in respect of reversals of write downs of inventories is £127,000 (2016: £nil).

The cost of inventories recognised as an expense and included in cost of sales is £305,977,000 (2016: £272,341,000).

The Company has no inventories (2016: none).

Construction contracts disclosures

	2017 £'000	2016 £'000
Contract costs incurred plus recognised profits less recognised losses to date	2,623	3,014
Contract advances received	(804)	(1,257)
Work in progress on construction contracts	1,819	1,757
Revenue from construction contracts	20,521	21,332

20 Trade and other receivables

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Current:				
Trade receivables	49,904	46,980	—	—
Less: provision for impairment of trade receivables	(1,675)	(2,100)	—	—
Trade receivables – net	48,229	44,880	—	—
Amounts recoverable on contracts	4,408	5,733	—	—
Amounts owed by Group undertakings (note 35)	—	—	18,865	16,494
Amounts owed by other related parties (note 35)	2,257	1,901	1,686	1,640
Loans receivable	47	50	—	—
Other taxes and social security receivable	872	625	248	—
Other receivables	1,188	1,121	164	370
Prepayments and accrued income	2,722	2,630	428	327
	59,723	56,940	21,391	18,831
Non-current:				
Amounts owed by Group undertakings (note 35)	—	—	18,007	17,486
Amounts owed by other related parties (note 35)	712	—	—	—
Other receivables	50	50	—	—
	762	50	18,007	17,486

The movement in the provision for impaired trade receivables consists of increases for additional provisions offset by receivables written off and unused provision released back to the consolidated income statement. The provision is utilised when there is no expectation of recovering additional cash.

20 Trade and other receivables (continued)

During the year a credit of £111,000 (2016: charge of £50,000) has been recognised within administrative expenses in the consolidated income statement in respect of the movement in provision for impairment of trade receivables.

No impairment of other receivables has been recognised in the current or preceding year.

Interest bearing, non-trading amounts owed by Group undertakings within current trade and other receivables carry interest at Bank of England base rate + 2.50%, 4.50% or 5.95%. Such amounts are unsecured and repayable on demand.

Interest bearing, non-trading amounts owed by Group undertakings within non-current receivables carry interest at 4.88% and 6.25%. Such amounts are unsecured and have a term of 5 years.

	2017			2016		
	Gross £'000	Impairment £'000	Past due but not impaired £'000	Gross £'000	Impairment £'000	Past due but not impaired £'000
The ageing of trade receivables is as follows:						
Not past due	32,683	(154)	N/A	23,273	(57)	N/A
Past due 0 – 30 days	7,393	(38)	7,355	9,354	(23)	9,331
Past due 31 – 60 days	2,905	(46)	2,859	3,876	(27)	3,849
Past due 61 – 90 days	1,649	(46)	1,603	3,569	(115)	3,454
Past due 91 – 120 days	928	(48)	880	2,184	(69)	2,115
Past 121 days	4,346	(1,343)	3,003	4,724	(1,809)	2,915
	49,904	(1,675)	15,700	46,980	(2,100)	21,664

The Company has no trade receivables (2016: none).

In relation to trade receivables, the major source of estimation uncertainty is the recoverable value of those receivables. The judgements applied to this include the credit quality of customers, taking into account their financial positions, past experiences and other relevant factors. Individual customer credit limits are imposed based on these factors, and provisions for impairment are made using those judgements. Provisions for impairment are reviewed monthly by divisional management.

The maximum exposure to credit risk at the year end is the carrying value, net of provision for impairment, of each receivable. The Group and Company do not hold any significant collateral as security (2016: none).

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
The carrying value of trade receivables are denominated in the following currencies:				
Sterling	38,150	38,404	–	–
US Dollar	1,169	1,823	–	–
Euro	7,994	4,281	–	–
New Zealand Dollar	916	372	–	–
	48,229	44,880	–	–

21 Current tax assets

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Corporation tax recoverable	485	303	464	710
Group taxation relief	–	–	–	212
	485	303	464	922

22 Cash and cash equivalents and bank overdrafts

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Cash and cash equivalents per the balance sheet	**23,887**	48,411	**8,494**	37,945
Bank overdrafts (note 24)	**(5,273)**	(8,624)	**—**	—
Cash and cash equivalents per the statement of cash flows	**18,614**	39,787	**8,494**	37,945

23 Trade and other payables

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Current:				
Trade payables	**16,215**	13,568	**—**	—
Payments on account	**5,809**	2,497	**—**	—
Amounts owed to Group undertakings (note 35)	**—**	—	**31**	37
Amounts owed to other related parties (note 35)	**19,371**	20,676	**—**	—
Other taxes and social security payable	**1,090**	1,073	**637**	442
Contingent, deferred and unpaid cash consideration	**2,223**	—	**—**	—
Other payables	**6,764**	4,193	**318**	355
Accruals and deferred income	**4,536**	4,816	**551**	1,380
	56,008	46,823	**1,537**	2,214
Non-current:				
Contingent consideration	**4,160**	2,394	**—**	—
Accruals and deferred income	**263**	274	**—**	—
	4,423	2,668	**—**	—

Amounts owed to Group undertakings and other related parties are interest free, unsecured and repayable on demand.

During the year contingent and deferred consideration arose on acquisitions (note 29). In addition there remained initial cash consideration unpaid at the balance sheet date. After retranslation at the balance sheet date of foreign currency denominated amounts, £2,223,000 of these outstanding payables are recognised within current liabilities and £4,160,000 are recognised within non-current liabilities.

The contingent consideration of £2,394,000 on the acquisition of Chirton Engineering Ltd in year ended 2014 was recognised as potentially payable in the prior year comparative above subject to certain earnings criteria being met. During the current year £304,000 of this liability was paid to the vendor with the remaining £2,090,000 being released to the income statement as it was no longer payable. Given the exceptional nature and size of this credit to the income statement it has been treated as a non-recurring item (note 4).

Included within accruals and deferred income is the following in respect of government grants:

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
At the beginning of the year	**274**	2,008	**—**	—
Exchange differences	**2**	—	**—**	—
Subsidiaries disposed	**—**	(1,581)	**—**	—
Subsidiaries acquired	**46**	—	**—**	—
Amortisation in the year	**(53)**	(153)	**—**	—
At the end of the year	**269**	274	**—**	—
Included within:				
Current liabilities	**6**	—	**—**	—
Non-current liabilities	**263**	274	**—**	—
	269	274	**—**	—

24 Borrowings

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Current:				
Bank overdrafts	**5,273**	8,624	**—**	—
Bank loans and other borrowings	**10,951**	12,376	**1,693**	513
Loans from Group undertakings (note 35)	**—**	—	**5,461**	5,461
Finance leases	**836**	642	**—**	—
	17,060	21,642	**7,154**	5,974
Non-current:				
Bank loans	**19,425**	17,108	**19,018**	15,889
Finance leases	**1,541**	1,517	**—**	—
	20,966	18,625	**19,018**	15,889
Borrowings are repayable as follows:				
On demand or within one year	**17,060**	21,642	**7,154**	5,974
In the second year	**16,543**	1,942	**15,454**	513
In the third to fifth years inclusive	**4,423**	16,670	**3,564**	15,376
Over five years	**—**	13	**—**	—
	38,026	40,267	**26,172**	21,863

Group and Company borrowings are shown in the balance sheet net of arrangement fees of £149,000 (2016: £110,000) of which £57,000 (2016: £37,000) is deducted from current liabilities and £92,000 (2016: £73,000) is deducted from non-current liabilities.

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
The net borrowings/(cash) are:				
Borrowings as above	**38,026**	40,267	**26,172**	21,863
Cash and cash equivalents	**(23,887)**	(48,411)	**(8,494)**	(37,945)
Net borrowings/(cash)	**14,139**	(8,144)	**17,678**	(16,082)

Bank loans and other borrowings includes an amount of £6,988,000 (2016: £9,791,000) which is secured on trade receivables. The Company, together with certain subsidiaries, act as guarantors on the bank loans. In addition, The Royal Bank of Scotland PLC has legal charges over certain properties. Finance lease obligations are secured on the assets to which they relate.

Loans from Group undertakings are non-interest bearing. Such amounts are unsecured and repayable on demand.

Other loans from related parties are non-interest bearing. The bank loans are repayable by instalments and the overdraft is repayable on demand.

Bank loans includes a drawn down revolving credit facility of £13.9m (2016: £15.0m) which is repayable in June 2019. At the year end the Group had £10.6m of undrawn revolving credit facilities (2016: £4.5m).

25 Derivatives and other financial instruments

The Group's activities expose it to a variety of financial risks. The Board reviews and agrees policies for managing its risk. These policies have remained unchanged throughout the year.

Financial Instruments by currency

Group	2017 Sterling £'000	2017 US Dollar £'000	2017 Euro £'000	2017 NZ Dollar £'000	2017 Total £'000	2016 Sterling £'000	2016 US Dollar £'000	2016 Euro £'000	2016 NZ Dollar £'000	2016 Total £'000
Assets										
Other investments	50	23	—	—	73	50	22	—	—	72
Non-current receivables	50	712	—	—	762	50	—	—	—	50
Current trade and other receivables	44,177	3,699	8,028	225	56,129	45,739	3,282	4,292	372	53,685
Current derivatives	—	13	—	—	13	—	—	—	—	—
Cash and cash equivalents	12,165	6,192	5,323	207	23,887	43,738	1,319	2,823	531	48,411
	56,442	10,639	13,351	432	80,864	89,577	4,623	7,115	903	102,218
Liabilities										
Current borrowings	15,273	329	1,458	—	17,060	20,179	205	1,258	—	21,642
Current derivatives	—	—	18	—	18	—	11	9	—	20
Current trade and other payables	42,656	2,927	9,269	60	54,912	39,697	1,692	4,361	—	45,750
Non-current borrowings	16,068	—	4,898	—	20,966	18,625	—	—	—	18,625
Other non-current liabilities	—	4,160	—	—	4,160	2,394	—	—	—	2,394
	73,997	7,416	15,643	60	97,116	80,895	1,908	5,628	—	88,431

Company	2017 Sterling £'000	2017 US Dollar £'000	2017 Euro £'000	2017 Total £'000	2016 Sterling £'000	2016 US Dollar £'000	2016 Euro £'000	2016 Total £'000
Assets								
Non-current receivables	—	18,007	—	18,007	—	17,486	—	17,486
Current trade and other receivables	12,488	1,243	6,984	20,715	15,829	1,207	1,468	18,504
Cash and cash equivalents	7,271	1,009	214	8,494	37,463	210	272	37,945
	19,759	20,259	7,198	47,216	53,292	18,903	1,740	73,935
Liabilities								
Current borrowings	7,154	—	—	7,154	5,974	—	—	5,974
Current trade and other payables	900	—	—	900	1,772	—	—	1,772
Non-current borrowings	14,120	—	4,898	19,018	15,889	—	—	15,889
	22,174	—	4,898	27,072	23,635	—	—	23,635

Other taxes and social security receivable and prepayments are excluded from trade and other receivables in the tables above as they are not financial instruments. For this same reason other taxes and social security payable is excluded from trade and other payables. Deferred income in respect of government grants is excluded as it is not a financial liability.

Sensitivity analysis

The impact of a weakening or strengthening in Sterling against other currencies at the balance sheet date is shown in the table below. The Directors consider that a 10% (2016: 10%) weakening or strengthening in Sterling against other currencies represents reasonable possible changes.

	2017 10% weakening £'000	2017 10% strengthening £'000	2016 10% weakening £'000	2016 10% strengthening £'000
Impact on profit after taxation (continuing operations)	1,429	(1,170)	709	(579)
Impact on total equity	4,623	(3,779)	3,012	(2,463)

This sensitivity analysis is not an indication of actual results, which may materially differ. For the purposes of this sensitivity analysis all other variables have been held constant.

25 Derivatives and other financial instruments (continued)

Interest rate risk

The Group finances its operations through a mixture of retained earnings and bank borrowings. The Group borrows in the desired currencies at fixed and floating rates of interest.

Group	Weighted average effective interest rate %	2017 £'000	Weighted average effective interest rate %	2016 £'000
Bank overdrafts	2.26	5,273	2.12	8,624
Bank loans and other borrowings	1.82	30,376	2.04	29,484
Finance lease liabilities	2.42	2,377	2.60	2,159
		38,026		40,267
Fixed rate		2,377		2,159
Floating rate		35,649		38,108
		38,026		40,267

The Group's floating rate financial liabilities bear interest determined as follows:

Bank overdrafts	US prime rate + 1.0% margin; US prime rate + 1.35% margin; Bank of England base rate +1.8% margin
Bank loans and other borrowings	Libor + 1.8%; Libor + 2.0%; Bank of England base rate + 1.25% margin; 1.3%

Company	Weighted average effective interest rate %	2017 £'000	Weighted average effective interest rate %	2016 £'000
Bank loans	1.93	20,711	2.18	16,402
Loans from Group undertakings	—	5,461	—	5,461
Floating rate		26,172		21,863

The Company's floating rate financial liabilities bear interest determined as follows:

Bank loans	Libor + 1.8%

25 Derivatives and other financial instruments (continued)

Sensitivity analysis

The impact of a decrease or increase in interest rates during the year is shown in the table below. The Directors consider that a 1% movement in interest rates represents a reasonable possible change.

	2017		2016	
	1% decrease £'000	1% increase £'000	1% decrease £'000	1% increase £'000
Impact on profit after taxation (continuing operations)	283	(283)	366	(366)
Impact on total equity	283	(283)	366	(366)

This sensitivity analysis is not an indication of actual results, which may materially differ. For the purposes of this sensitivity analysis all other variables have been held constant.

Liquidity risk

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

The tables below analyse the Group and Company's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows which have been calculated using spot rates at the relevant balance sheet date.

	2017					2016				
Group	Total £'000	Within one year £'000	One to two years £'000	Two to five years £'000	Over five years £'000	Total £'000	Within one year £'000	One to two years £'000	Two to five years £'000	Over five years £'000
Bank overdrafts	5,273	5,273	–	–	–	8,624	8,624	–	–	–
Bank loans and other borrowings	31,357	11,415	16,227	3,715	–	30,632	12,807	1,726	16,099	–
Finance lease liabilities	2,580	903	737	940	–	2,362	705	668	972	17
Derivatives	18	18	–	–	–	20	20	–	–	–
Trade and other payables	54,912	54,912	–	–	–	45,750	45,750	–	–	–
Other non-current liabilities	4,378	–	2,189	2,189	–	2,394	–	–	2,394	–
	98,518	72,521	19,153	6,844	–	89,782	67,906	2,394	19,465	17

	2017				2016			
Company	Total £'000	Within one year £'000	One to two years £'000	Two to five years £'000	Total £'000	Within one year £'000	One to two years £'000	Two to five years £'000
Bank loans	20,711	1,693	15,454	3,564	17,491	906	895	15,690
Loans from Group undertakings	5,461	5,461	–	–	5,461	5,461	–	–
Trade and other payables	900	900	–	–	1,772	1,772	–	–
	27,072	8,054	15,454	3,564	24,724	8,139	895	15,690

Trade and other payables in the tables above exclude other taxes and social security which do not meet the definition of financial liabilities under IFRS 7. Deferred income in respect of government grants has also been excluded as it does not give rise to a contractual obligation to pay cash.

25 Derivatives and other financial instruments (continued)

Future minimum lease payments of finance leases

Group	2017 £'000	2016 £'000	Repayment profile 2017 £'000	Repayment profile 2016 £'000
Amount payable:				
Within one year	**903**	705	**836**	642
In the second year	**737**	668	**683**	616
In the third to fifth years inclusive	**940**	972	**858**	888
Over five years	**—**	17	**—**	13
	2,580	2,362	**2,377**	2,159
Less: future finance charges	**(203)**	(203)		
Present value of lease obligations	**2,377**	2,159		

The Company has no finance lease obligations (2016: none).

Borrowing facilities

The Group has various undrawn facilities. The undrawn facilities available at 2 September 2017, in respect of which all conditions precedent had been met, were as follows:

	2017 Floating rate £'000	2016 Floating rate £'000
Expiring in one year or less	**5,957**	18,514
Expiring within two and five years inclusive	**24,273**	4,500
	30,230	23,014

The Company's overdraft is within a Group facility and it is therefore not possible to determine the Company's undrawn facilities at the balance sheet date.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to optimise the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings) as shown in the consolidated balance sheet less cash and cash equivalents. Total equity is as shown in the consolidated balance sheet.

At 2 September 2017 the Group had net debt of £14.1m (2016: net cash of £8.1m). Gearing was 13.3% at the year end.

The Group monitors cash balances and net debt on a daily basis to ensure adequate headroom exists on banking facilities and that it is compliant with banking covenants.

Fair value hierarchy

IFRS 13 requires financial instruments that are measured at fair value to be classified according to the valuation technique used:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – inputs, other than Level 1 inputs, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3 – unobservable inputs

All derivative financial instruments are measured at fair value using Level 2 inputs. There were no transfers between levels in the above hierarchy in either the current or prior year.

The Group holds shares in several private limited companies. These have been classified as unquoted investments for which fair value cannot be reliably measured and are held at cost less accumulated impairment. Had fair value been applied this financial asset would have been Level 3.

25 Derivatives and other financial instruments (continued)

Fair values of financial assets and liabilities
The fair value of Group and Company financial assets and liabilities are not materially different to book value.

Derivative financial instruments
Hedge of net investment in foreign subsidiaries
The Group hedges foreign denominated loans against its investment in foreign subsidiaries. A foreign exchange pre-tax gain of £36,000 (2016: £504,000) was recognised in equity during the year on translation of US dollar denominated loans with a fair value of $1,608,000 (2016: $24,908,000) to sterling. A foreign exchange pre-tax loss of £106,000 (2016: pre-tax gain of £183,000) was recognised in equity during the year on translation of Euro denominated loans with a fair value of €5,330,000 (2016: €1,750,000) to sterling. The Group's net investment hedge was fully effective in both the current and prior year and therefore no gain or loss is recognised in the consolidated income statement.

Currency derivatives
The Group and Company use forward foreign currency contracts and options to manage exchange risk exposure. At the balance sheet date, the fair value of outstanding forward foreign currency contracts and options are as below:

Group	2017 Fair value £'000	2017 Contractual or notional amount £'000	2016 Fair value £'000	2016 Contractual or notional amount £'000
At beginning of the year	(20)	1,462	(32)	7,402
Subsidiaries disposed	—	—	146	(1,305)
Gains/(losses) during the year	17	1,359	(134)	(4,635)
At end of the year	(3)	2,821	(20)	1,462
Included within:				
Current assets	13	2,152	—	—
Current liabilities	(16)	669	(20)	1,462
	(3)	2,821	(20)	1,462

Company	2017 Fair value £'000	2017 Contractual or notional amount £'000	2016 Fair value £'000	2016 Contractual or notional amount £'000
At beginning of the year	—	—	30	5,066
Losses during the year	—	—	(30)	(5,066)
At end of the year	—	—	—	—

The Group uses currency swaps to manage exchange risk exposure. At the balance sheet date, the fair value of outstanding currency swaps are as below:

Group	2017 Fair value £'000	2017 Contractual or notional amount £'000	2016 Fair value £'000	2016 Contractual or notional amount £'000
At beginning of the year	—	—	10	394
Losses during the year	(2)	146	(10)	(394)
At end of the year (current liabilities)	(2)	146	—	—

The Company has no currency swaps (2016: none).

Fair value has been determined by reference to the value of equivalent forward foreign currency contracts, options and currency swaps at the balance sheet date.

Gains and losses on currency related derivatives are included within administrative expenses.

26 Retirement benefits

The Group participates in two defined benefit pension schemes, Carr's Group Pension Scheme and Carrs Billington Agriculture Pension Scheme.

Carr's Group Pension Scheme

The Company sponsors the Carr's Group Pension Scheme and offered a defined contribution and a defined benefit section. The assets of the scheme are held separately from those of the Group and are invested with independent investment managers.

From 1 September 2015 the defined contribution section was closed. Members of that section were enrolled in a new defined contribution scheme, the Carr's Group Retirement Savings Scheme ('Carr's Group RSS'), set up under a Master Trust arrangement.

The defined benefit section of the scheme was previously closed to new members, and has closed to future accrual with effect from 31 December 2015. Members of this section became entitled to become members of the Carr's Group RSS from 1 January 2016. The pension contribution made by the Group over the year to the defined benefit section was £nil (2016: £888,000). Contributions to the scheme for the year ending August 2017 are expected to be £nil.

The following disclosures relate to the defined benefit section of the Carr's Group Pension Scheme. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 31 December 2014 and updated on an approximate basis to 2 September 2017 by a qualified independent actuary.

Major assumptions:

	2017 %	2016 %
Inflation (RPI)	3.20	2.80
Inflation (CPI)	2.30	1.90
Rate of discount	2.40	2.05
Pension in payment increases:		
RPI or 5.0% per annum if less	3.10	2.80
RPI or 5.0% per annum if less, minimum 3.0% per annum	3.60	3.50

The mortality tables used in the valuation as at 2 September 2017 are 100% of S2PMA (males) and S2PFA (females) with allowance for mortality improvements using CMI_2016 with a 1.25%pa underpin. The mortality assumptions adopted imply the following life expectancies at age 65 as at 2 September 2017:

	At 2 September 2017	At 3 September 2016
Males currently age 45	23.5 years	23.9 years
Females currently age 45	25.4 years	26.1 years
Males currently age 65	22.1 years	22.2 years
Females currently age 65	23.9 years	24.2 years

Amounts recognised in the Income Statement in respect of defined benefit schemes:

	2017 £'000	2016 £'000
Service cost – including current service costs, past service costs and settlements	—	(426)
Service cost – administrative cost	59	139
Net interest on the net defined benefit asset	(6)	(94)
Total expense/(income)	53	(381)

As a result of the closure to future accrual on 31 December 2015 a negative past service cost, net of associated costs, of approximately £350,000 has been recognised in the prior year income statement.

26 Retirement benefits (continued)

The expense/(income) is recognised within the Income Statement as shown below:

	2017 £'000	2016 £'000
Within operating profit:		
Cost of sales	—	(124)
Administrative expenses	59	(163)
Within interest:		
Finance income	(6)	(94)
Total expense/(income)	53	(381)

Remeasurements of the net defined benefit asset to be shown in the Statement of Comprehensive Income:

	2017 £'000	2016 £'000
Net measurement – financial	1,492	(16,623)
Net measurement – demographic	1,283	1,051
Net measurement – experience	(1,888)	2,012
Return on assets, excluding interest income	4,064	10,835
Total remeasurement of the net defined benefit asset	4,951	(2,725)

Amounts included in the Balance Sheet:

	2017 £'000	2016 £'000
Present value of funded defined benefit obligations	(69,921)	(73,355)
Fair value of scheme assets	75,130	73,666
Surplus in funded scheme	5,209	311

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

	2017 £'000	2016 £'000
Benefit obligation at the beginning of the year	73,355	60,352
Service cost	—	89
Interest cost	1,463	2,239
Contributions by scheme participants	—	61
Net measurement (gains)/losses – financial	(1,492)	16,623
Net measurement gains – demographic	(1,283)	(1,051)
Net measurement losses/(gains) – experience	1,888	(2,012)
Benefits paid	(4,010)	(2,431)
Past service cost	—	(515)
Benefit obligation at the end of the year	69,921	73,355

Reconciliation of opening and closing balances of the fair value of scheme assets:

	2017 £'000	2016 £'000
Fair value of scheme assets at the beginning of the year	73,666	62,119
Interest income on scheme assets	1,469	2,333
Return on assets, excluding interest income	4,064	10,835
Contributions by employers	—	888
Contributions by scheme participants	—	61
Benefits paid	(4,010)	(2,431)
Scheme administrative cost	(59)	(139)
Fair value of scheme assets at the end of the year	75,130	73,666

26 Retirement benefits (continued)

Analysis of the scheme assets and actual return:

	Fair value of assets 2017 £'000	2016 £'000
Equity instruments	**22,979**	34,771
Property	**3,278**	5,449
Bonds	**48,601**	33,401
Cash	**272**	45
	75,130	73,666
Actual return on scheme assets	**5,533**	13,168

Sensitivity analysis

A sensitivity analysis of the principal assumptions used to measure the scheme liabilities:

	Change in assumption	Impact on scheme liabilities 2 September 2017
Discount rate	Increase by 0.25%	**Decrease by £2.7m**
Rate of inflation	Increase by 0.25%	**Increase by £1.6m**
Assumed life expectancy at age 65	Increase by 1 year	**Increase by £2.1m**

Characteristics and the risks associated with the Scheme

Information about the characteristics the Scheme:

The Scheme provides pensions in retirement and death benefits to members. Pension benefits are linked to a member's final salary at 31 December 2015 (or date of leaving, if earlier) and their length of service. Since 31 December 2015 the Scheme has been closed to future accrual.

The Scheme is a registered scheme under UK legislation.

The Scheme is subject to the scheme funding requirements outlined in UK legislation.

The Scheme was established under trust and is governed by the Scheme's trust deed and rules dated June 2008. The Trustees are responsible for the operation and the governance of the Scheme, including making decisions regarding the Scheme's funding and investment strategy in conjunction with the Company.

Information about the risks of the Scheme to the Company:

The Scheme exposes the Company to actuarial risks such as market (investment) risk, interest rate risk, inflation risk, currency risk and longevity risk.

The Scheme does not expose the Company to any unusual Scheme-specific or Company-specific risks.

Amount, timing and uncertainty of future cash flows

The Scheme's investment strategy:

The Scheme's investment strategy is to invest in return seeking assets and matching assets. This strategy reflects the Scheme's liability profile and the Trustees' attitude to risk. The Scheme's investments include vehicles for interest rate and inflation hedging.

Expected future cash flows to and from the Scheme:

The last scheme funding valuation of the Scheme was as at 31 December 2014 and revealed a funding deficit of £278,000. In the most recent recovery plan the Company agreed to pay £195,000 per month with the view to eliminating the shortfall by 31 December 2015.

In accordance with the current schedule of contributions the Company is expected to pay no contributions over the next accounting period.

The liabilities of the Scheme are based on the current value of expected benefit payment cash flows to members of the Scheme over the next 60 years. The average duration of the liabilities is approximately 15 years.

26 Retirement benefits (continued)

Carr's Group Retirement Savings Scheme

The Company offers membership in a Master Trust arrangement, Carr's Group RSS, following the closure of both sections of the Carr's Group Pension Scheme. The pension expense for this scheme for the year was £911,000 (2016: £902,000 including £189,000 in respect of Carr's Flour Mills Ltd).

Carrs Billington Agriculture Pension Scheme

One of the Group's subsidiaries, Carrs Billington Agriculture (Sales) Ltd, is a participating employer in the Carrs Billington Agriculture Pension Scheme, which is a multi-employer defined benefit pension scheme. For the reasons explained below this scheme is accounted for as a defined contribution scheme.

The scheme is closed to new entrants and has been closed to future accrual since 1 December 2007. There is currently a deficit, calculated in accordance with IAS 19, of £2.3m (2016: £5.1m). The sponsoring employer, Carrs Billington Agriculture (Operations) Ltd, is currently paying £0.8m per annum under the terms of the recovery plan agreed between them and the Trustees of the scheme.

Under the rules of the scheme, any employer wishing to exit the scheme would trigger a partial wind-up of the scheme and would therefore be responsible for their s75 debt. A full wind-up of the plan would also trigger s75 debts for each participating employer.

The history of the scheme is that it was brought together from many other pension schemes and employers following multiple acquisitions over several years. Many of those acquisitions had little or no records of employee histories. Because of this, approximately 85% of the scheme liabilities are 'Orphan Liabilities'. Under the rules of the scheme, on a wind-up the orphan liabilities would be split between the participating employers in the same proportion as their calculated share of non-orphan liabilities. At the last actuarial valuation, the buy-out deficit was £15.7m and the Group's estimated liability on the wind up of the scheme was £7.6m.

Because of the scheme history described above, it is not possible to calculate the Group's share of the assets and liabilities of the scheme, and consequently despite it being a defined benefit pension scheme the Group treats it as a defined contribution pension scheme for accounting purposes. The Group does not expect to pay any contributions to the scheme in the next reporting period (2016: £nil). Currently the deficit repair contributions are being funded solely by the sponsoring employer and this is expected to remain the case in the future. Those deficit repair contributions are based on the last triennial valuation of the scheme as at 31 December 2015, which showed that the scheme had a deficit of £4.4m on a technical provisions basis.

The Group's level of participation in the scheme is estimated at 48.5%, which is based on its estimated share of the total buy-out liabilities. The Group has a 49% shareholding in its associate company which is the sponsoring company of the pension scheme. As a result of equity accounting for its share of the net assets of the associate the Group recognises 49% of the deficit calculated on an IAS 19 accounting basis within its 'Investment in Associates' in its consolidated balance sheet.

Other pension schemes

Carrs Billington Agriculture (Sales) Ltd offers a Group Personal Pension Plan to some of its employees and the pension expense for this plan in the year was £521,000 (2016: £508,000).

The Group offered a Group Personal Pension plan to certain employees of Carr's Flour Mills Ltd. The pension expense for this scheme for the year up to the date of disposal of the subsidiary was £nil (2016: £205,000).

The pension expense in respect of defined contribution pension arrangements in foreign subsidiaries during the year was £308,000 (2016: £215,000).

Pension contributions into NEST during the year amounted to £39,000 (2016: £45,000).

The Group also pays contributions into various defined contribution schemes acquired through business combinations. The pension expense during the year in respect of these schemes was £36,000 (2016: £101,000).

27 Share capital

Group and Company	2017 Shares	2017 £'000	2016 Shares	2016 £'000
Authorised:				
Ordinary shares of 2.5p each	**140,000,000**	**3,500**	140,000,000	3,500
Allotted and fully paid ordinary shares of 2.5p each:				
At start of the year	**91,192,804**	**2,280**	89,760,090	2,244
Allotment of shares	**202,737**	**5**	1,432,714	36
At end of the year	**91,395,541**	**2,285**	91,192,804	2,280

The consideration received on the allotment of shares during the year was £23,628 (2016: £532,221).

For details of share based payment schemes see note 28.

Since the year end there was a further allotment of 7,100 shares with a nominal value of £178 due to the exercise of share options.

28 Share-based payments

Group

The Group operates two active share based payment schemes at 2 September 2017.

Under the long term incentive plan shares will be awarded to eligible individuals subject to an earnings per share (EPS) target measured against average annual increases over a three year period. For the awards granted in November 2014, November 2015 and November 2016 an average annual growth of EPS must exceed 3.0% for 25% of the awards to vest and 100% vest at 10.0%, with a straight line calculation between 25% and 100% of the award.

All employees, subject to eligibility criteria, may participate in the share save scheme. Under this scheme employees are offered savings contracts for both 3 year and 5 year vesting period plans. The exercise period is 6 months from the vesting date.

The fair value per option granted and the assumptions used in the calculation of fair values are as follows:

	Long Term Incentive Plan November 2016	Long Term Incentive Plan November 2015	Long Term Incentive Plan November 2014	Share Save Scheme (3-Year Plan 2014)	Share Save Scheme (5-Year Plan 2014)
Grant date	14/11/16	9/11/15	10/11/14	9/6/14	9/6/14
Share price at grant date (weighted average)	£1.440	£1.460	£1.600	£1.870	£1.870
Exercise price (weighted average)	£0.00	£0.00	£0.00	£1.520	£1.520
Fair value per option at grant	£1.324	£1.344	£1.504	£0.490	£0.529
Number of employees	7	7	6	9	42
Shares under option	541,574	511,785	442,900	22,280	199,330
Vesting period (years)	3	3	3	3	5
Model used for valuation	Market value[1]	Market value[1]	Market value[1]	Black Scholes	Black Scholes
Expected volatility	—	—	—	30.0%	26.9%
Option life (years)	10	10	10	3.5	5.5
Expected life (years)	6.5	6.5	6.5	3.25	5.25
Risk-free rate	—	—	—	1.51%	2.07%
Expected dividends expressed as a dividend yield	1.78%	2.54%	2.81%	1.93%	1.93%
Expectations of vesting	48.76%	59.27%	0%	100%	95%

[1] discounted for dividends forgone over the three year vesting period

The expected volatility has been calculated using historical daily data over a term commensurate with the expected life of each option. The expected life is the midpoint of the exercise period. The risk-free rate of return is the implied yield of zero-coupon UK Government bonds with a remaining term equal to the expected term of the award being valued.

28 Share-based payments (continued)

Number of options

	Long Term Incentive Plan November 2016 Number '000	Long Term Incentive Plan November 2015 Number '000	Long Term Incentive Plan November 2014 Number '000	Long Term Incentive Plan November 2013 Number '000	Long Term Incentive Plan May 2013 Number '000	Share Save Scheme (3-Year Plan 2014) Number '000	Share Save Scheme (5-Year Plan 2014) Number '000	Share Save Scheme (5-Year Plan 2011) Number '000
Outstanding:								
At 29 August 2015	—	—	512	475	489	504	324	735
Granted in the year	—	625	—	—	—	—	—	—
Exercised in the year	—	—	—	—	(158)	—	—	(710)
Forfeited in the year	—	—	—	—	—	(76)	(42)	(6)
At 3 September 2016	**—**	**625**	**512**	**475**	**331**	**428**	**282**	**19**
Granted in the year	**579**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Exercised in the year	**—**	**—**	**—**	**(178)**	**(331)**	**(5)**	**—**	**(19)**
Forfeited in the year	**(37)**	**(113)**	**(69)**	**(297)**	**—**	**(401)**	**(83)**	**—**
At 2 September 2017	**542**	**512**	**443**	**—**	**—**	**22**	**199**	**—**
Exercisable:								
At 3 September 2016	—	—	—	—	331	—	—	19
At 2 September 2017	**—**	**—**	**—**	**—**	**—**	**22**	**—**	**—**
Weighted average: Remaining contractual life (years)	**9.00**	**8.00**	**7.00**	**—**	**—**	**0.25**	**2.25**	**—**
Remaining expected life (years)	**5.50**	**4.50**	**3.50**	**—**	**—**	**—**	**2.00**	**—**

The total expense/(income) recognised for the year arising from share based payments are as follows:

	2017 £'000	2016 £'000
Long Term Incentive Plan November 2016	**105**	—
Long Term Incentive Plan November 2015	**243**	—
Long Term Incentive Plan November 2014	**—**	(128)
Long Term Incentive Plan November 2013	**87**	(63)
Share Save Scheme (3-Year Plan 2014)	**37**	52
Share Save Scheme (5-Year Plan 2014)	**13**	23
Share Save Scheme (5-Year Plan 2011)	**—**	20
	485	(96)

28 Share-based payments (continued)

Company

The movement in the number of outstanding options under the share schemes for the Company is not shown as it is immaterial and disclosure would be excessively lengthy.

The total expense/(income) recognised for the year arising from share based payments are as follows:

	2017 £'000	2016 £'000
Long Term Incentive Plan November 2016	82	–
Long Term Incentive Plan November 2015	195	–
Long Term Incentive Plan November 2014	–	(84)
Long Term Incentive Plan November 2013	62	(41)
Share Save Scheme (3-Year Plan 2014)	8	3
Share Save Scheme (5-Year Plan 2014)	1	2
Share Save Scheme (5-Year Plan 2011)	–	1
	348	(119)

Share based payments awarded to employees of subsidiary undertakings and recognised as an investment in subsidiary undertakings in the Company are as follows:

	2017 £'000	2016 £'000
Long Term Incentive Plan November 2016	23	–
Long Term Incentive Plan November 2015	48	–
Long Term Incentive Plan November 2013	–	49
Share Save Scheme (3-Year Plan 2014)	9	104
Share Save Scheme (5-Year Plan 2014)	58	48
Share Save Scheme (5-Year Plan 2011)	–	3
Total carrying amount of investments	138	204

29 Acquisitions

NuVision Engineering, Inc

On 4 August 2017 Carr's Group plc acquired the entire issued share capital of ESI Holding Company, Inc., the holding company of USA based engineering company NuVision Engineering, Inc. ("NuVision") for a total cash consideration of up to $20m including continent consideration of up to $8.5m which represents the maximum earn out payable dependent on future financial performance.

NuVision is a leading technology and applications engineering company focused on providing value in commercial nuclear and power plant facilities, government waste remediation facilities and waste clean-up. Its customers include the USA Department of Energy, major nuclear energy suppliers, public utilities, and international governments.

The acquisition provides a strong foothold into the main nuclear markets in the USA and will enable revenue synergies with the Group's existing nuclear engineering businesses, including the opportunity to market Wälischmiller's products in the USA. It will also extend the Group's service capability in the nuclear market due to the complementary nature of NuVision's product range. NuVision will also act as a key supplier under a major nuclear contract signed on 20 July 2017 and being delivered by our UK Manufacturing business in the next financial year.

STABER GmbH

On 24 October 2016 Wälischmiller Engineering GmbH ("Wälischmiller") acquired the entire issued share capital of STABER GmbH ("STABER") for cash consideration of €7.85m including deferred consideration of €2.0m, which is payable by 30 June 2018 at the latest.

STABER and Wälischmiller have been working together closely for over 50 years and STABER has most recently been a key supplier of parts for the remote handling business. STABER has designed and developed specialised technology which will be strategically beneficial to Wälischmiller in both the near and long term. This technology will accelerate the ongoing strategic development work on the Telbot® and the Demo 2000 Telbot® by Wälischmiller.

29 Acquisitions (continued)

Mortimer Feeds Ltd
On 5 June 2017 Carrs Billington Agriculture (Sales) Limited acquired the business and certain assets of Mortimer Feeds Ltd for cash consideration of £579,000 including £125,000 of contingent consideration. £30,000 of the contingent consideration is linked to the continued employment of key personnel and therefore in accordance with IFRS 3 this has not been recognised as consideration in the acquisition accounting and is instead being recognised in the income statement over a one year period. Given the nature of the payment it is intended to recognise this as a non-recurring item.

The principal activity of the business acquired is that of a feed merchant.

The primary reason for the business combination was the expansion of the existing agriculture business.

Horse and Pet Warehouse Ltd
On 17 March 2017 Carrs Billington Agriculture (Sales) Limited acquired the entire issued share capital of Horse and Pet Warehouse Ltd for cash consideration of £139,000.

The principal activity of Horse and Pet Warehouse Ltd is a retailer of animal products for the pet, equine and smallholding market.

The primary reason for the business combination was the expansion of the existing agriculture business.

All of the above purchases have been accounted for as acquisitions. Given the size and timing of the acquisitions no separate disclosure has been presented on the face of the consolidated income statement as the impact would not be material.

Aggregate disclosures
The total goodwill arising from acquisitions in the year amounts to £14,182,000. Goodwill represents the excess of the consideration paid over the Group's interests in the net fair value of the net identifiable assets, liabilities and contingent liabilities acquired.

The following amounts have been recognised within the consolidated income statement in respect of acquisitions made in the year:

	NuVision £'000	STABER £'000	Other £'000	2017 Total £'000
Revenue	167	—	908	1,075
Profit before taxation	1	(23)	23	1

There were no other recognised gains and losses other than the profit shown above.

Acquisition related costs amounted to £993,000, which have been recognised within administrative expenses in the consolidated income statement and have been highlighted separately within non-recurring items (note 4).

29 Acquisitions (continued)
The assets and liabilities recognised in the acquisition accounting are set out below. The assets and liabilities recognised for NuVision are provisional. Due to the timing of the acquisition of NuVision the aquisition accounting has not yet been finalised.

	2017 Provisional fair value NuVision £'000	2017 Fair value STABER £'000	2017 Fair value Other £'000	2017 Total provisional fair value £'000
Intangible assets	1,488	160	36	1,684
Property, plant and equipment	1,250	341	11	1,602
Investment in associate	544	—	—	544
Inventories	—	543	45	588
Receivables	766	307	463	1,536
Loan due from associate	940	—	—	940
Current taxation asset	185	—	—	185
Cash at bank	1,196	506	23	1,725
Bank overdraft	—	—	—	—
Bank loan	(528)	(89)	—	(617)
Payables	(1,147)	(240)	(248)	(1,635)
Deferred grant income	—	(46)	—	(46)
Taxation liabilities				
– Current	—	(39)	(11)	(50)
– Deferred	(850)	(43)	(8)	(901)
Net assets acquired	3,844	1,400	311	5,555
Goodwill	8,293	5,584	305	14,182
	12,137	6,984	616	19,737
Satisfied by:				
Cash consideration	8,044	5,204	521	13,769
Deferred consideration	—	1,780	—	1,780
Contingent consideration	4,093	—	95	4,188
	12,137	6,984	616	19,737

Cash consideration includes £285,000 in respect of NuVision and £112,000 in respect of other acquisitions that remains unpaid at the year end.

Intangible assets represents the fair value of know-how in STABER GmbH, the fair value of customer relationships in the business acquired from Mortimer Feeds Ltd and the contract backlog, trade name, patents and proprietary technology acquired in NuVision Engineering, Inc.

The fair value exercise on the acquisition of Horse and Pet Warehouse Ltd in the year resulted in no significant intangible assets being identified other than the value of employees.

Pro forma full year information
IFRS3 (revised) requires disclosure of information as to the impact on the financial statements if the acquisitions had occurred at the beginning of the accounting year.

The unaudited pro forma summary below presents the Group as if the acquisitions had been acquired on 4 September 2016.

The pro forma amounts include the results of the acquisitions and the interest expense on the increase in net debt as a result of the acquisitions. The pro forma amounts do not include any possible synergies from the acquisition. The pro forma information is provided for comparative purposes only and does not necessarily reflect the actual results that would have occurred, nor is it necessarily indicative of future results.

Continuing operations	2017 £'000
Revenue	353,242
Profit before taxation	10,356

30 Cash generated from/(used in) continuing operations

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Profit for the year from continuing operations	**8,295**	11,171	**3,349**	26,362
Adjustments for:				
Tax	**1,707**	2,907	**(77)**	58
Tax credit in respect of R & D	**(129)**	(176)	**—**	—
Dividends received from subsidiaries	**—**	—	**(2,303)**	(19,935)
Dividends received from associate and joint ventures	**—**	—	**(1,097)**	—
Depreciation of property, plant and equipment	**4,093**	3,582	**—**	—
Depreciation of investment property	**6**	6	**—**	—
Goodwill impairment	**1,700**	—	**—**	—
Intangible asset amortisation	**124**	205	**—**	—
Loss/(profit) on disposal of property, plant and equipment	**215**	(84)	**—**	—
Loss on disposal of investment	**—**	10	**—**	—
Loss on dissolution of dormant subsidiary	**—**	—	**—**	85
Profit on disposal of subsidiary	**—**	—	**—**	(6,478)
Release of contingent consideration	**(2,090)**	—	**—**	—
Business combination expenses	**1,299**	—	**—**	—
Amortisation of grants	**(53)**	(53)	**—**	—
Net fair value loss/(gain) on share based payments	**485**	(99)	**348**	(119)
Net foreign exchange differences	**(152)**	(383)	**(742)**	(732)
Net fair value (gains)/losses on derivative financial instruments in operating profit	**(17)**	70	**—**	30
Finance costs:				
Interest income	**(176)**	(236)	**(1,861)**	(959)
Interest expense and borrowing costs	**901**	1,045	**329**	464
Share of profit from associates and joint ventures	**(2,813)**	(2,081)	**—**	—
Pension contributions – deficit reduction	**—**	(780)	**—**	(780)
– ongoing	**—**	(108)	**—**	(108)
IAS19 income statement charge/(credit) (excluding interest) (note 26)	**59**	(287)	**59**	(287)
Changes in working capital (excluding the effects of acquisitions and disposals):				
Increase in inventories	**(2,379)**	(1,620)	**—**	—
Increase in receivables	**(383)**	(3,606)	**(224)**	(193)
Increase/(decrease) in payables	**4,402**	(3,226)	**(720)**	293
Cash generated from/(used in) continuing operations	**15,094**	6,257	**(2,939)**	(2,299)

31 Analysis of net cash/(debt)

Group	At 4 September 2016 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	**At 2 September 2017 £'000**
Cash and cash equivalents	48,411	**(24,868)**	**—**	**344**	**23,887**
Bank overdrafts	(8,624)	**3,351**	**—**	**—**	**(5,273)**
	39,787	**(21,517)**	**—**	**344**	**18,614**
Loans and other borrowings:					
– current	(12,376)	**3,506**	**(1,959)**	**(122)**	**(10,951)**
– non-current	(17,108)	**(3,592)**	**1,382**	**(107)**	**(19,425)**
Finance leases:					
– current	(642)	**846**	**(1,040)**	**—**	**(836)**
– non-current	(1,517)	**—**	**(24)**	**—**	**(1,541)**
Net cash/(debt)	8,144	**(20,757)**	**(1,641)**	**115**	**(14,139)**

Other non-cash changes relate to finance leases, debt acquired with subsidiaries and transfers between categories of borrowings. It also includes the release of deferred borrowing costs to the consolidated income statement.

31 Analysis of net cash/(debt) (continued)

Company	At 4 September 2016 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	At 2 September 2017 £'000
Cash and cash equivalents	37,945	(29,457)	–	6	8,494
Loans and other borrowings:					
– current	(5,974)	(650)	(530)	–	(7,154)
– non-current	(15,889)	(3,592)	569	(106)	(19,018)
Net cash/(debt)	16,082	(33,699)	39	(100)	(17,678)

Other non-cash changes relate to the release of deferred borrowing costs to the consolidated income statement and transfers between categories of borrowings.

32 Capital commitments

Group	2017 £'000	2016 £'000
Capital expenditure on property, plant and equipment that has been contracted for but has not been provided for in the accounts	966	56

The Company has no capital commitments (2016: none).

33 Other financial commitments

Group
At 2 September 2017 the Group had commitments under non-cancellable operating leases as follows:

	2017		2016	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	1,095	625	751	453
Within two and five years inclusive	2,761	738	2,752	748
After five years	5,764	1	6,255	–
	9,620	1,364	9,758	1,201

The Company has no commitments under non-cancellable operating leases (2016: none).

34 Financial guarantees

The Company, together with certain subsidiary undertakings, has entered into a guarantee with Clydesdale Bank PLC in respect of the Group loans, overdraft, asset finance and guarantee facilities with that bank, which at 2 September 2017 amounted to £1,593,000 (2016: £3,980,000).

Certain subsidiary undertakings utilise guarantee facilities with financial institutions which include their own bankers. These financial institutions in the normal course of business enter into certain specific guarantees with some of the subsidiaries' customers. All these guarantees allow the financial institutions to have recourse to the subsidiaries if a guarantee is enforced. The total outstanding of such guarantees at 2 September 2017 was £6,760,000 (2016: £3,284,000).

The Company has provided specific guarantees to certain customers of subsidiaries. These are in place to guarantee the completion of the contract in any event. At 2 September 2017 the contracts under guarantee that have still to be completed and delivered have a total contract value of £2,037,000 (2016: £nil).

The Company has provided a guarantee over the lease of a premises occupied by a subsidiary. The guarantee is in respect of prompt and full payment of rents due throughout the term of the lease. As at 2 September 2017 the cumulative rent payable over the remaining term of the lease is £1,362,000 (2016: £1,455,000).

The Company has entered into a guarantee with the Trustees of the Carrs Billington Agriculture Pension Scheme in respect of the punctual payment of obligations due to the pension scheme by the participating employers of the scheme. The Company's total liability shall not exceed £1,500,000 (2016: £1,500,000).

One of the Group's subsidiary undertakings is a participating employer in the Carrs Billington Agriculture Pension Scheme. On a wind-up of the scheme the buy-out deficit would be split between the participating employers with the Group's level of participation in the scheme estimated at 48.5%. At the last actuarial valuation, the Group's estimated liability on the wind-up of the scheme was £7.6m (2016: £7.5m).

The Group and Company does not expect any of the above guarantees to be called in.

35 Related parties

Group and Company

Identity of related parties

The Group has a related party relationship with its subsidiaries, associates and joint ventures and with its Directors.

Transactions with key management personnel

Key management personnel are considered to be the Directors and their remuneration is disclosed within the Remuneration Committee Report.

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Balances reported in the Balance Sheet				
Amounts owed by businesses controlled by key management personnel (in a trading capacity):				
Trade receivables	**74**	75	**–**	–
Transactions reported in the Income Statement				
Revenue	**296**	167	**–**	–

Transactions with subsidiaries

	Company	
	2017 £'000	2016 £'000
Balances reported in the Balance Sheet		
Amounts owed by subsidiary undertakings:		
Loans	**36,682**	33,861
Other receivables	**190**	119
	36,872	33,980
Amounts owed to subsidiary undertakings:		
Loans	**(5,461)**	(5,461)
Other payables	**(31)**	(37)
	(5,492)	(5,498)
Transactions reported in the Income Statement		
Management charges receivable	**2,360**	2,489
Dividends received	**2,303**	19,935
Interest receivable	**1,759**	756
Purchases	**(1)**	–

35 Related parties (continued)

Transactions with associates

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Balances reported in the Balance Sheet				
Amounts owed by associates:				
Trade and other receivables	**1,159**	152	**17**	12
Amounts owed to associates:				
Trade and other payables	**(19,338)**	(20,665)	**—**	—
Transactions reported in the Income Statement				
Revenue	**874**	647	**—**	—
Rental income	**19**	19	**—**	—
Management charges receivable	**93**	45	**45**	45
Dividends received	**—**	—	**245**	—
Interest receivable	**6**	—	**—**	—
Management charges payable	**(126)**	(202)	**—**	—
Purchases	**(97,922)**	(99,192)	**—**	—

Included within Group trade and other receivables is £949,000 (2016: £nil) in respect of loans owed by associates. Of this, £237,000 is within current receivables and £712,000 is within non-current receivables.

Transactions with joint ventures

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Balances reported in the Balance Sheet				
Amounts owed by joint ventures:				
Trade and other receivables	**1,736**	1,674	**1,669**	1,628
Amounts owed to joint ventures:				
Trade and other payables	**(33)**	(11)	**—**	—

Included within Group trade and other receivables is £1,663,000 (2016: £1,627,000) in respect of loans owed by joint ventures.

Included within Company trade and other receivables is £1,663,000 (2016: £1,627,000) in respect of loans owed by joint ventures.

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Transactions reported in the Income Statement				
Revenue	**554**	56	**—**	—
Management charges receivable	**139**	125	**—**	—
Dividends received	**—**	—	**852**	—
Purchases	**(757)**	(1,116)	**—**	—

36 Post balance sheet event

On 31 October 2017, after the year end, the Group acquired the entire issued share capital of Pearson Farm Supplies Ltd, an agricultural retail business, for cash consideration of £1.3m. Of this cash consideration £0.1m is deferred until February 2018 and a further £0.1m is deferred until the third anniversary of completion.

The primary reason for the acquisition was the expansion of the existing agriculture business.

Given that this has been a recent acquisition the identifiable assets and liabilities at completion and goodwill have yet to be finalised. The Directors therefore consider it impracticable to be able to disclose this information in these financial statements.

FIVE YEAR STATEMENT

Continuing operations Revenue and Results	(Restated)[1] 2013 £'000	(Restated) 2014 £'000	(Restated)[2] 2015 £'000	2016 £'000	**2017** **£'000**
Revenue	373,906	341,849	331,285	314,907	**346,224**
Group operating profit	11,529	11,638	12,090	12,770	**7,877**
Analysed as:					
Operating profit before amortisation and non-recurring items	11,763	11,937	12,341	12,982	**9,278**
Amortisation and non-recurring items	(234)	(299)	(251)	(212)	**(1,401)**
Group operating profit	11,529	11,638	12,090	12,770	**7,877**
Finance income	513	264	338	236	**176**
Finance costs	(1,379)	(1,171)	(1,045)	(1,009)	**(864)**
Share of post-tax profit in associates and joint ventures	2,819	2,486	2,307	2,081	**2,813**
Profit before taxation	13,482	13,217	13,690	14,078	**10,002**
Analysed as:					
Profit before taxation before amortisation and non-recurring items	13,716	13,516	13,941	14,290	**11,403**
Amortisation and non-recurring items	(234)	(299)	(251)	(212)	**(1,401)**
Profit before taxation	13,482	13,217	13,690	14,078	**10,002**
Taxation	(2,989)	(2,873)	(3,010)	(2,907)	**(1,707)**
Profit for the year from continuing operations	10,493	10,344	10,680	11,171	**8,295**
Profit for the year from discontinued operations	1,822	2,549	3,013	2,817	**–**
Profit for the year	12,315	12,893	13,693	13,988	**8,295**
Ratios (continuing operations)					
Operating margin (excluding non-recurring items and amortisation)	3.1%	3.5%	3.7%	4.1%	**2.7%**
Return on net assets (excluding non-recurring items and amortisation)	19.7%	18.8%	17.9%	13.0%	**10.8%**
Earnings per share – basic[3]	9.7p	9.9p	10.0p	10.7p	**7.7p**
– adjusted[3]	9.9p	10.2p	10.2p	10.9p	**8.9p**
Dividends per ordinary share[3]	3.2p	3.4p	3.7p	3.8p	**4.0p**

Revenue and results included in the table above have been restated to reflect the disposal of Carr's Flour Mills Ltd in the year ended 3 September 2016. The profit after taxation from this business has been included within profit for the year from discontinued operations in the table above.

[1] Restated for IAS 19 revised

[2] Restated for the reclassification to interest income of the net interest on the net defined benefit retirement asset previously recognised within operating profit

[3] Restated for the effect of the 10:1 share split in January 2015

Net assets employed	2013 £'000	2014 £'000	(Restated) 2015 £'000	2016 £'000	**2017 £'000**
Non-current assets					
Goodwill	5,215	9,798	10,849	11,440	**24,241**
Other intangible assets	615	499	448	286	**2,266**
Property, plant and equipment	53,068	56,626	58,385	35,811	**37,149**
Investment property	675	656	636	182	**176**
Investments	10,395	11,796	13,530	14,996	**18,106**
Financial assets					
– Non-current receivables	1	501	50	50	**762**
Retirement benefit asset	—	2,056	1,767	311	**5,209**
Deferred tax assets	2,044	1,507	861	—	**—**
	72,013	83,439	86,526	63,076	**87,909**
Current assets					
Inventories	33,445	33,315	35,031	33,423	**37,023**
Trade and other receivables	66,434	63,623	64,454	56,940	**59,723**
Current tax assets	178	47	839	303	**485**
Financial assets					
– Derivative financial instruments	2	—	50	—	**13**
– Cash and cash equivalents	22,884	17,268	20,052	48,411	**23,887**
	122,943	114,253	120,426	139,077	**121,131**
Total assets	194,956	197,692	206,952	202,153	**209,040**
Current liabilities					
Financial liabilities					
– Borrowings	(15,545)	(19,688)	(18,721)	(21,642)	**(17,060)**
– Derivative financial instruments	(8)	(15)	(72)	(20)	**(18)**
Trade and other payables	(58,282)	(54,236)	(54,496)	(46,823)	**(56,008)**
Current tax liabilities	(1,639)	(1,631)	(472)	(470)	**(632)**
	(75,474)	(75,570)	(73,761)	(68,955)	**(73,718)**
Non-current liabilities					
Financial liabilities					
– Borrowings	(29,448)	(22,189)	(25,744)	(18,625)	**(20,966)**
Retirement benefit obligation	(3,272)	—	—	—	**—**
Deferred tax liabilities	(3,765)	(4,111)	(4,184)	(1,817)	**(4,010)**
Other non-current liabilities	(4,956)	(5,995)	(4,300)	(2,668)	**(4,423)**
	(41,441)	(32,295)	(34,228)	(23,110)	**(29,399)**
Total liabilities	(116,915)	(107,865)	(107,989)	(92,065)	**(103,117)**
Net assets	78,041	89,827	98,963	110,088	**105,923**

2015 has been restated for the grossing up of cash and cash equivalents and bank overdrafts, included within current borrowings, for accounts with right of offset within the same banking facility.

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Trading Estate, Lancaster Old
Road, Claughton on Brock,
Preston PR3 0PZ
Tel: 01995 643 200

Carrs Billington Agriculture (Sales), Carlisle
Montgomery Way, Rosehill
Estate, Carlisle CA1 2UY
Tel: 01228 520 212

Carrs Billington Agriculture (Sales), Cockermouth
Unit 5, Lakeland
Agricultural Centre,
Cockermouth CA13 0QQ
Tel: 01900 824 105

Carrs Billington Agriculture (Sales), Gisburn
Pendle Mill, Mill Lane,
Gisburn, Clitheroe,
Lancashire BB7 4ES
Tel: 01200 445 491

Carrs Billington Agriculture (Sales), Hawes
Burtersett Road, Hawes,
North Yorkshire DL8 3NP
Tel: 01969 667 334

Carrs Billington Agriculture (Sales), Hexham
Tyne Mills Industrial
Estate, Hexham,
Northumberland NE46 1XL
Tel: 01434 605 371

Carrs Billington Agriculture (Sales), Jedburgh
Mounthooly, Crailing,
Jedburgh TD8 6TJ
Tel: 01835 850 250

Carrs Billington Agriculture (Sales), Kendal
Unit 1,
J36, Rural Auction Centre,
Crooklands, Milnthorpe
Kendal, Cumbria LA7 7FP
Tel: 01539 566 035

Carrs Billington Agriculture (Sales), Leek
Macclesfield Road, Leek,
Staffordshire ST13 8NR
Tel: 01538 383 277

Carrs Billington Agriculture (Sales), Malton
31 Horsemarket, Malton,
North Yorkshire YO17 7NB
Tel: 01653 600 328

Carrs Billington Agriculture (Sales), Milnathort
Stirling Road, Milnathort,
Kinross KY13 9UZ
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Carrs Billington Agriculture (Sales), Morpeth
Unit 20c, Coopies Lane
Industrial Estate, Morpeth,
Northumberland NE61 6JN
Tel: 01670 503 930

Carrs Billington Agriculture (Sales), Morpeth (Greens)
Old Station Buildings,
Coopies Lane, Morpeth,
Northumberland NE61 2SL
Tel: 01670 518474

Carrs Billington Agriculture (Sales), Penicuik
Unit 2, 4 Eastfield Park Road,
Penicuik,
Midlothian EH26 8EZ
Tel: 01968 707040

Carrs Billington Agriculture (Sales), Penrith
Haweswater Road, Penrith
Industrial Estate, Penrith,
Cumbria CA11 9EU
Tel: 01768 866 354

Carrs Billington Agriculture (Sales), Perth
17/18 Arran Place, Arran Road,
Perth PH1 3DU
Tel: 01738 643022

Carrs Billington Agriculture (Sales), Rothbury
The Store, Coquet View,
Rothbury, Morpeth,
Northumberland NE65 7RZ
Tel: 01669 620320

Carrs Billington Agriculture (Sales), Selkirk
Dunsdale Haugh, Selkirk,
Selkirkshire TD7 5EF
Tel: 01750 720 734

Carrs Billington Agriculture (Sales), Settle
Unit 6, The Sidings,
Industrial Estate, Settle,
North Yorkshire BD24 9RP
Tel: 01729 825 812

Carrs Billington Agriculture (Sales), Skipton
Skipton Auction Mart,
Gargrave Road, Skipton,
North Yorkshire BD23 1UD
Tel: 01756 792 166

Carrs Billington Agriculture (Sales), Spennymoor
Southend Works, Byers Green,
Spennymoor,
Co. Durham DL16 7NL
Tel: 01388 662 266

Carrs Billington Agriculture (Sales), Stirling
Stirling Agricultural Centre,
Stirling FK9 4RN
Tel: 01786 474 826

Carrs Billington Agriculture (Sales), Wigton
Hopes Auction Co Ltd.,
Skye Road, Wigton,
Cumbria CA7 9NS
Tel: 016973 45874

Carrs Billington Agriculture (Sales), Wooler
Bridge End,
South Road, Wooler,
Northumberland NE71 6QE
Tel: 01668 281 567

Phoenix Feeds, a division of Carrs Billington Agriculture (Sales) Ltd
1 Station Park,
Ramsgreave Road, Blackburn,
Lancashire BB1 9BH
Tel: 01254 240 888

Reid & Robertson, a division of Carrs Billington Agriculture (Sales) Ltd
Livestock Auction Mart,
Whiteford Hill,
Ayr KA6 5JW

Reid & Robertson, a division of Carrs Billington Agriculture (Sales) Ltd
Ballagan, Stirling Road,
Balloch G83 8LY
Tel: 01389 752800

Reid & Robertson, a division of Carrs Billington Agriculture (Sales) Ltd
Unit 3 Oban Livestock Centre
Soroba, Oban, Argyll

Workware
Kingstown Broadway,
Kingstown Industrial Estate,
Carlisle CA3 0HA
Tel: 01228 591 091

Wallace Oils
Kingstown Broadway,
Kingstown Industrial Estate,
Carlisle CA3 0HA
Tel: 01228 534 342

Johnstone Wallace Fuels, Castle Douglas
Abercromby Industrial
Park, Castle Douglas,
Dumfriesshire DG7 1BA

Johnstone Wallace Fuels, Dumfries
Dargavel Stores,
Lockerbie Road,
Dumfries,
Dumfriesshire DG1 3PG
Tel: 01387 750 747

Johnstone Wallace Fuels, Stranraer
Droughduil, Dunragit,
Stranraer DG9 8QA

Afgritech LLC*
810 Waterman Drive,
Watertown,
New York 13601, USA
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Priory House,
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R Hind
Kingstown Broadway,
Kingstown Industrial Estate,
Carlisle CA3 0HA
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Carrs MSM
Unit 1 Spitfire Way,
Hunts Rise, South
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Chirton Engineering
Unit 4A, High Flatworth,
Tyne Tunnel Trading Estate,
North Shields,
Tyne & Wear NE29 7SW
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Wälischmiller Engineering GmbH
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Markdorf, Germany
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Wälischmiller Engineering GmbH
Kesselbachstraße 5, 88697
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NuVision Engineering, Inc
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Pittsburgh
Pennsylvania 15203, USA
Tel: 001 888 748 8232

NuVision Engineering, Inc
184 B Rolling Hill Road
Mooresville,
North Carolina 28117, USA
Tel: 001 704 799 2707

Mid Columbia Engineering Inc**
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Richland,
Washington 99354, USA
Tel: 001 509 943 6706

Carr's Supplements (NZ) Limited
515a Wairakei Road, Burnside,
Christchurch 8053,
New Zealand

Silloth Storage Company*
Station Road, Silloth,
Wigton, Cumbria CA7 4JQ

* joint venture company
** associate company

REGISTERED OFFICE AND ADVISERS

Registered Office
Carr's Group plc
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CA3 9BA
Registered No. 98221

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Orchard Street,
Newcastle upon Tyne
NE1 3AZ

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Carlisle
CA3 8HP

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

Financial Adviser and Broker
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2 Gresham Street,
London
EC2V 7QP

Financial and Corporate PR Advisers
Powerscourt
1 Tudor Street,
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L3 9SJ

Registrars
Link Asset Services
The Registry,
34 Beckenham Road,
Beckenham,
Kent
BR3 4TU

DORMANT SUBSIDIARIES AT 2 SEPTEMBER 2017

Company Name	Registered and Located	Ownership
B. E. Williams Ltd	England and Wales	51%[1]
Caltech Biotechnology Ltd	England and Wales	100%
Carrs Animal Feed Supplements Ltd	England and Wales	100%
Carrs Feeds Ltd	England and Wales	51%[1]
Carrs Fertilisers Ltd	England and Wales	100%
Carr's Group Corporate Trustee Ltd	England and Wales	100%
Carr's International Industries Ltd	England and Wales	100%
Carr's Milling Industries Ltd	England and Wales	100%
Carrs Milling Ltd	England and Wales	100%
Carrs Natural Feeds Ltd	England and Wales	100%
Chirton Engineering Ltd	England and Wales	100%
Forsyths of (Wooler) Ltd	England and Wales	51%[1]
Greens Flour Mills Ltd	England and Wales	100%
Horse and Pet Warehouse Ltd	Scotland	51%[1]
Johnstone Fuels and Lubricants Ltd	Scotland	51%[1]
Phoenix Feeds Ltd	England and Wales	51%[1]
R Hind Ltd	England and Wales	100%
Reid and Robertson Ltd	Scotland	51%[1]
Robert Hutchison Ltd	England and Wales	100%
Safe at Work Ltd	England and Wales	51%[1]
Scotmin Nutrition Ltd	Scotland	100%
Simarghu Ltd	England and Wales	51%[1]
Walischmiller Solutions Ltd	England and Wales	100%
Wallace Oils Ltd	England and Wales	51%[1]
WM. Nicholls and Company (Crickhowell) Ltd	England and Wales	51%[1]

[1] 100% owned by Carrs Billington Agriculture (Sales) Ltd which is a 51% subsidiary of Carr's Group plc.

Companies registered in England and Wales have a registered office of Old Croft, Stanwix, Carlisle, Cumbria CA3 9BA. Companies registered in Scotland have a registered office of 13 Whitfield Drive, Heathfield Ind. Est., Ayr KA8 9RX, with the exception of Horse and Pet Warehouse Ltd which has a registered office of 1a Whitfield Drive, Heathfield Ind. Est., Ayr KA8 9RX.

NOTES

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Carr's Group plc

Registered address:
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www.carrsgroup.com