Carr's Group plc

DELIVERING GROWTH

Annual Report and Accounts 2018

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 a livestock supplementation business which manufactures feed blocks, boluses and other trace element supplements from locations across the UK, USA and Europe. These products are supplied through an extensive distribution network to farming customers across the globe. In the UK the division also sells animal feed, fertiliser, animal health products, oil, farm machinery and rural supplies from a network of 43 country stores and depots.

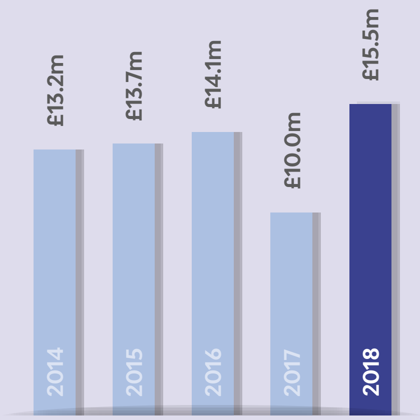
The Engineering division designs and manufactures specialist precision components, equipment, robotic goods and remote handling equipment, and provides technical services, from three sites in the UK, one site in Germany and, two sites in the USA. These highly specialised products and services are supplied predominately into the nuclear, pharmaceutical and oil and gas markets.

The Group is listed on the London Stock Exchange.

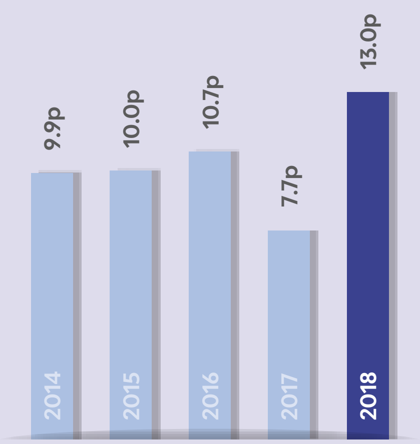
Financial Highlights

Continuing operations only

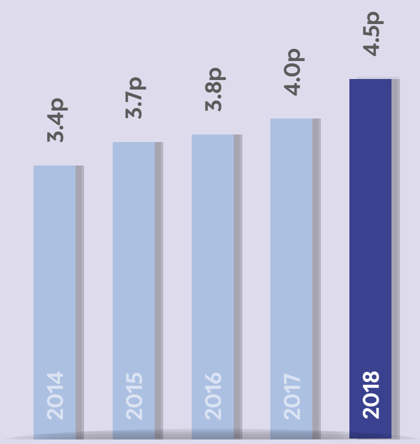
Revenue
£403.2m
16.5% up from 2017



Pre-Tax Profit
£15.5m
55.0% up from 2017



Earnings Per Share*
13.0p
68.8% up from 2017



Dividend Per Share*
4.5p
12.5% up from 2017

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

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The Group at a Glance

Carr's is an international group focused on developing innovative products and solutions for its diverse customer base which spans over 50 countries globally. Its broad geographic spread and depth of divisional activity are central to its strategy and provide strength in an increasingly volatile global economic environment.

STRENGTH THROUGH DIVERSITY

The Group continues to concentrate upon growth, both organically and through acquisition, within its core markets of Agriculture and Engineering.

Agriculture

OVERVIEW AND MARKETS

The Agriculture division develops, manufactures and distributes a range of innovative livestock supplementation products under highly regarded brands. The division also services the UK farming and rural communities through a network of retail stores and fuel businesses.

Its branded product ranges include feed blocks sold under the Crystalyx®, Horslyx®, SmartLic® and Megastart® brands and boluses sold under the Tracesure® and Allsure® brands.

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, North America, South America and Australasia.

Customer Base

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

Total Employees*: 678 467 211

Engineering

OVERVIEW AND MARKETS

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

Its diverse range of products and services includes manipulators and robotics (including TELBOT®), patented technologies (including MSIP®), 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 and South America, Asia, Africa and Australasia.

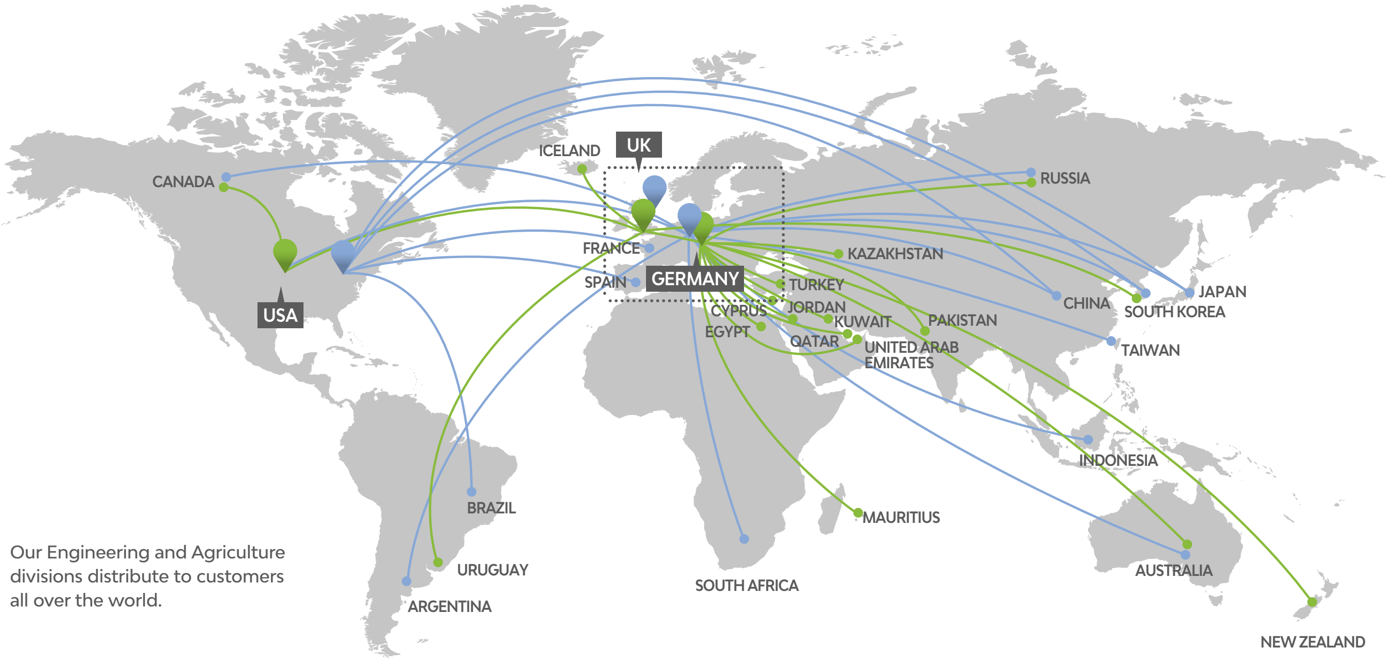
Customer Base

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

Total Employees*: 366 297 69

*As at 1 September 2018. Figures exclude Head Office.

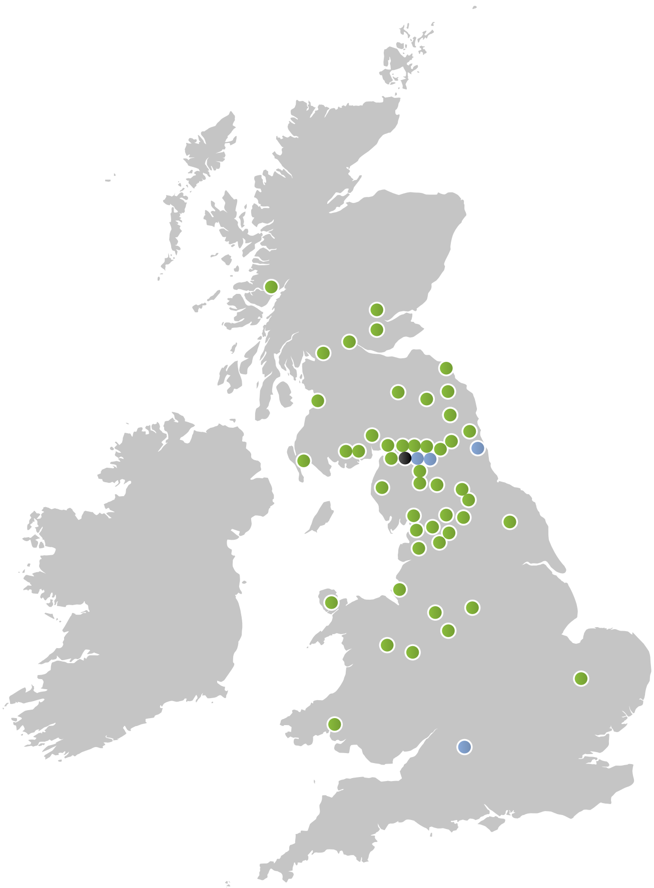
International Distribution



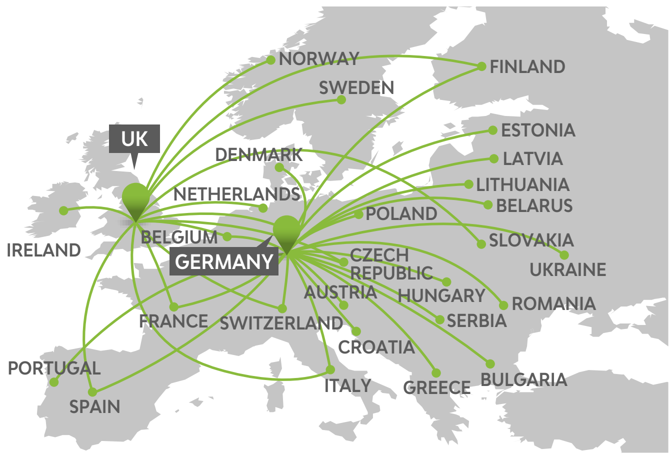
Our Engineering and Agriculture divisions distribute to customers all over the world.

UK
Locations

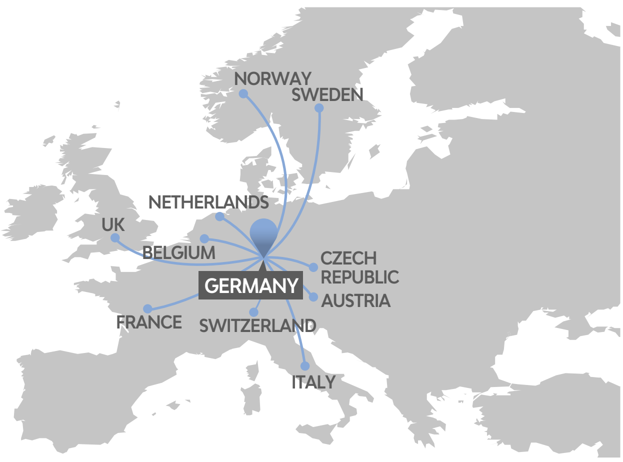
- Head Office
- Agriculture
- Engineering



AGRICULTURE
European Distribution



ENGINEERING
European Distribution



Chairman’s Statement

> *The Group remains committed to delivering on its strategic objectives of investing in its people and its asset base, whilst continuing to drive innovation and delivering growth across our two divisions, with a focus on broadening our geographic footprint.*

CHRIS HOLMES
CHAIRMAN

REVIEW OF THE YEAR

For the year ended 1 September 2018, the Group has delivered a performance ahead of the Board’s expectations and significantly ahead of the prior year. Both our Agriculture and Engineering divisions have benefitted from the investments made in previous years, particularly the acquisition of NuVision, as well as a recovery in our UK Manufacturing business and continued improvements in our underlying markets.

In our Agriculture division, UK Agriculture continued to perform strongly reflecting improved farm incomes and higher levels of farmer confidence. In the USA, cattle prices improved steadily during the year supporting a recovery in USA feed block volumes, which were significantly ahead of the prior year. UK feed blocks performed in line with expectations. In Europe, feed block sales volumes through our joint venture business based in Germany, Crystalyx Products GmbH, continued to grow. Our plans to develop the feed block business internationally remain on track.

Our Engineering division delivered a significantly improved financial result compared to the prior year. We saw a strong recovery in our UK Manufacturing business, with the significant contract announced in July 2017 performing as expected and the benefit of improved controls over contract profitability. Our Remote Handling business also performed strongly, benefiting from the delivery of substantial contracts into the Chinese market. NuVision, acquired in August 2017, performed well in its first full year as part of the Group, securing several significant contracts to be delivered over the next three years. The business was also successfully integrated into the wider Engineering division.

During the year we have continued to invest in our people. Due to the retirement of a number of key, long-standing senior managers, we have recruited high calibre successors for a number of our businesses, including the appointment of a new Managing Director for our USA feed blocks business and a new Managing Director for our UK feed blocks business. In addition, the appointment of a new Divisional Managing Director for the Engineering division in November 2017 is driving the strategic focus and growth of that division.

In line with our strategy, we have continued to invest in technology and innovation to grow the business internationally. Following the commissioning of the new low moisture feed block plant in Tennessee, the site is now fully operational, and volumes continue to build. We also expanded our remote handling facility in Markdorf, Germany which has enabled us to complete the full integration of the STABER business, acquired in October 2016, within Wälischmiller.

Following the year end we acquired Animax Limited, a producer of market-leading trace element supplements, for a total cash consideration of up to £8.5m. This acquisition is highly complementary to our global feed blocks business and aligns with our stated strategy of investing in growing agriculture markets in the UK and internationally. We will continue to appraise new opportunities in line with our strategy.

FINANCIAL REVIEW

Revenue for the year increased by 16.5% to £403.2m (2017: £346.2m). Adjusted operating profit, which is before amortisation of acquired intangible assets and non-recurring items, was up 44.4% to £17.5m (2017: £12.1m), with Agriculture contributing £13.4m (2017: £11.4m) and Engineering £4.1m (2017: £0.6m). Reported operating profit was up 53.5% at £16.4m (2017: £10.7m). Non-recurring items include certain acquisition related costs totalling £0.3m and a write-off of goodwill relating to the UK Manufacturing business, Bendalls, totalling £0.5m.

Adjusted profit before tax was up 45.2% to £16.6m (2017: £11.4m) and reported profit before tax was up 55.0% at £15.5m (2017: £10.0m). Basic earnings per share were up by 68.8% to 13.0 pence (2017: 7.7 pence), with fully diluted earnings per share of 12.7 pence (2017: 7.6 pence) and adjusted earnings per share, excluding amortisation of acquired intangible assets and non-recurring items, of 13.9 pence (2017: 8.9 pence).

Net debt at 1 September 2018 was £15.4m (2017: £14.1m). The movement included £11.5m generated from operations, £7.1m used in investing activities and £3.8m paid in dividends.

DIVIDEND

The Board is proposing a final dividend of 2.35 pence per ordinary share, which together with the two interim dividends of 1.075 pence per ordinary share paid on 21 May 2018 and 5 October 2018, make a total of 4.5 pence per share for the year (2017: 4.0 pence per share). The final dividend, if approved by the Shareholders, will be paid on 11 January 2019, to Shareholders on the register on close of business 30 November 2018, and the shares will go ex-dividend on 29 November 2018.

CORPORATE GOVERNANCE

During the year, we have continued to review our governance framework following a number of changes implemented in 2017, including changing the membership of our Audit and Remuneration Committees and revising our policy on executive remuneration following a consultation with certain major shareholders. We were pleased to receive overwhelming support for these changes at our AGM in January 2018 and our Remuneration Committee will continue to consult with major shareholders on specific policy matters as and when appropriate.

In July this year, the Financial Reporting Council published its revised Corporate Governance Code 2018 which will apply to the Group from September 2019 onwards. The revised Code introduces some important changes to UK corporate governance. During the course of the current financial year, we will continue to review our governance practices to ensure that we are well placed moving into the new regime. As a Group, we remain committed to promoting a robust and transparent governance framework which will continue to serve the interests of all our stakeholders.

OUTLOOK

The Group remains committed to delivering on its strategic objectives of investing in its people and its asset base, whilst continuing to drive innovation and delivering growth across our two divisions, with a focus on broadening our geographic footprint.

The Board remains confident in the prospects of the UK Agriculture business in the near term following the sustained recovery in farm incomes. While we now have greater visibility in relation to farming support post Brexit, we remain cautious over the nature of future trade agreements with the EU and the rest of the world. We expect the gradual recovery in USA cattle prices to continue in the current financial year, which, together with the acquisition of Animax and expansion into other geographic markets, provides a solid base for growth in the Agriculture division.

In Engineering, order books remain strong across most of the businesses and the recovery in the division's financial performance is expected to continue. We continue to invest in product development and improved production methods to support the future growth of the division. While uncertainty remains over the potential impact of Brexit on certain supply chains, we remain encouraged by the growth opportunities available, particularly in the USA and Asia, which we continue to develop.

Trading in the new financial year has started in line with the Board's expectations. We remain confident that our investments in acquisitions, research and product innovation position the Group well for sustained growth.

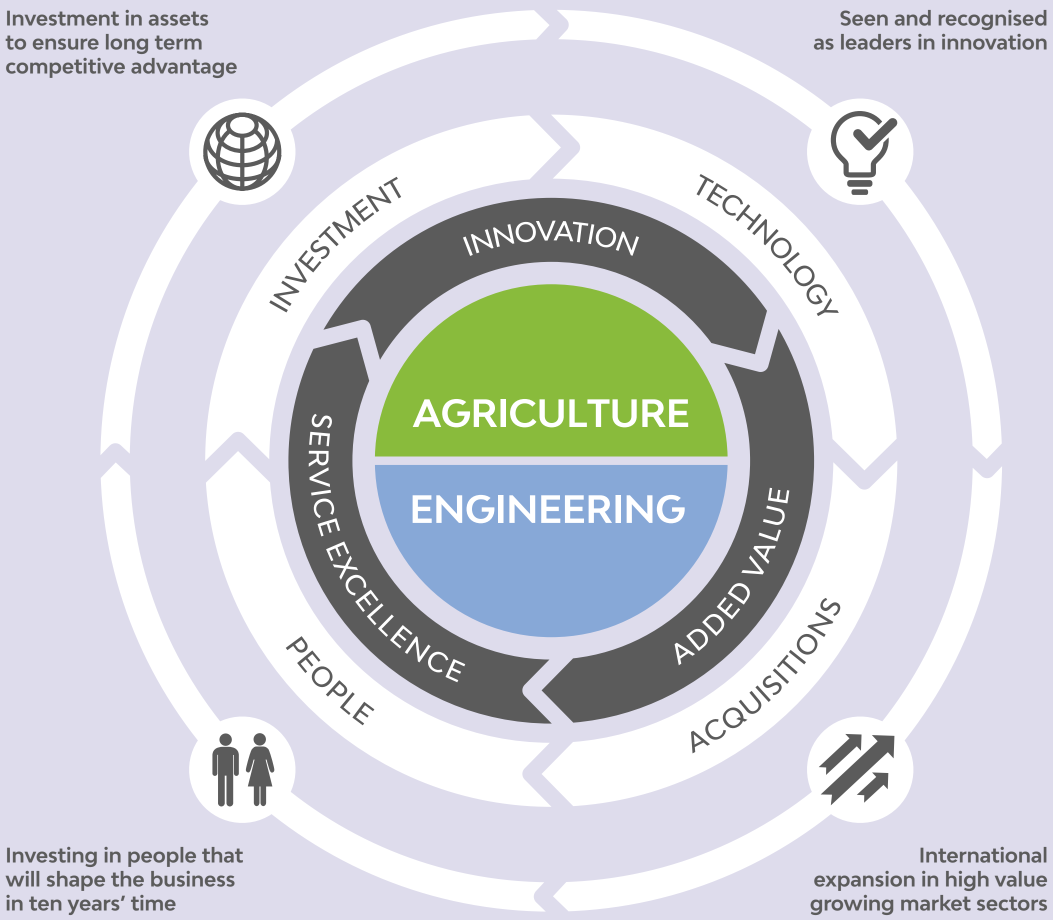
Chris Holmes

CHRIS HOLMES DL
Chairman
19 November 2018

Group Strategy

Vision

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



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

Building on a strong core

Our business strategy is centred upon: growing our international footprint; building value in growth markets; differentiating through innovation and technology; and, consequently, leading in our chosen markets.

We continue to build on the strong core established across our Agriculture and Engineering divisions through carefully chosen investments and strategic acquisitions which enhance our market position and value-adding capability. Of key strategic importance is that Carr's operates in the right markets with future growth potential. We continually review current and future growth opportunities which align with our strategy.

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 capability.

MARKET LEADING PRODUCTS

Leading branded products such as Crystalyx®, Horslyx®, SmartLic®, Tracesure® and Allsure® 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

Farm incomes improved in early 2018 and, although milk prices pulled back a little, they have since stabilised. Dry weather has negatively impacted farmers through the summer months and Brexit continues to create uncertainty. Nonetheless, global sales of Feed Blocks across the Group are significantly increased over our last financial year.

The Group's strategic ambition across the Agriculture division remains to strengthen its global position through the enhancement and development of its international supplementation business. In the UK, the division aims to continue to build its presence and depth of offering; supporting our core farming customers in chosen locations.

KEY STRATEGIC DEVELOPMENTS

- Continuing to fill capacities and optimise the use of our plants in core markets such as the USA and Germany.
- Building production levels in our recently commissioned low moisture feed block plant in Shelbyville, Tennessee which provides improved geographic reach in the USA.
- Driving our expansion into New Zealand and South America through the establishment of key relationships and completing local research to demonstrate the efficacy of our products.
- Enhancing our international supplementation business through the acquisition of Animax Limited.

Engineering

Global opportunities across the nuclear industry continue to offer a good platform on which to continue to develop and strengthen our Engineering division. Our UK Manufacturing business recovered significantly during the financial year and is now well positioned in the medium term. The integration of NuVision, since its acquisition in August 2017, has been completed according to plan. The acquisition has not only brought further innovation, technology and services into the Group, but it has provided a foothold for our Remote Handling offering in the USA which represents a significant opportunity.

The Group's strategic ambition for the Engineering division is to maximise the benefits of synergies to enhance its offering of proven technologies to its global customer base in the nuclear, oil and gas and pharmaceutical sectors, and to continue to grow and strengthen the division through complementary acquisition.

KEY STRATEGIC DEVELOPMENTS

- Appointment of new Divisional Managing Director to drive focus and growth in Engineering.
- Strengthening of management team in UK Manufacturing.
- Continuing to invest in innovation and technology, with product development programme in Remote Handling progressing well.
- Extension of premises at Markdorf, Germany complete together with full integration of the STABER business, acquired in October 2016.
- Showroom of Wälischmiller products under construction at Charlotte, North Carolina.

Chief Executive's Review

> *We recognise the enormous contribution of our people across the businesses which has enabled the Group to deliver a strong result for the year.*

TIM DAVIES
CHIEF EXECUTIVE OFFICER

OPERATING PROFIT* BY SECTOR

AGRICULTURE

£13.4m

16.9% UP from 2017

ENGINEERING

£4.1m

533.5% UP from 2017

*Before amortisation of acquired intangible assets and non-recurring items

A YEAR OF DELIVERING GROWTH

The year has seen significant progress for the Group, with our financial performance ahead of the Board's expectations and significantly improved upon the prior year across both Agriculture and Engineering. We continued to deliver our strategic objectives, which are consistent with our vision to be recognised as a truly international business at the forefront of innovation and technology.

During the year we were also able to make significant progress with senior management succession plans for a number of key leadership roles across the Group, as well as continuing to invest in our own programmes to develop our next generation of leaders. People remain fundamental to our businesses; we recognise the enormous contribution of our people across the businesses which has enabled the Group to deliver a strong result for the year. Another key driver is keeping everyone safe, and we have continued to focus on safety throughout the financial year, improving our reporting mechanisms and further embedding our safety culture.

Agriculture

The Agriculture division has performed strongly this year, as a result of improvements in underlying markets as well as the investments made in recent years.

During the year, revenue was up 13.8% to £359.6m (2017: £315.9m). Adjusted operating profit was up 16.9% to £13.4m (2017: £11.4m) and reported operating profit was up 20.1% to £13.0m (2017: £10.8m).

FEED BLOCKS

Total global feed block sales volumes were up 15.0% compared to last year.

Our USA feed blocks business was significantly ahead of last year with sales volumes up 17.7%. This performance was driven by the ongoing recovery in cattle prices in the USA. Our new low moisture feed block plant in Tennessee is now fully operational and provides additional capacity and access to new markets across the Eastern and South Eastern states of the USA.

UK feed blocks sales volumes were up 8.9%, in line with expectations.

Our joint venture business based in Germany, Crystalyx Products GmbH, performed strongly during the period with sales volumes up 12.4%, due to improved farm incomes following a recovery in the milk price across Europe.

Our plans to grow our feed blocks business internationally continue to progress well. In New Zealand, our direct sales operation distributing to farmers through merchants has continued to grow, with supply agreements now in place with several of the country's leading agricultural merchants. In South America, we are now supplying products through our chosen distributors and made our first commercial sales during the year. Farm trials continue to demonstrate the efficacy of our products, providing local evidence which we will use in support of our plans to develop our market in South America.

The strength of our brands, including Crystalyx®, SmartLic®, Megastart®, FlaxLic® and Horslyx®, continue to enable us to drive growth and expand internationally and we remain focused on investment in new product development.

UK AGRICULTURE

UK Agriculture continued to perform well across all areas of the business, reflecting improved farm incomes and ongoing farmer confidence. Manufactured feed volumes were up 8.7%, in line with the national average. Key drivers for the increased volumes were the late Spring and the dry weather during the summer months.

Our retail business delivered a strong performance during the period, with the country store network reporting an increase of 4.4% in like-for-like sales and a 12.1% increase in total sales. The increase in total sales was primarily driven by the acquisition of Pearson Farm Supplies, an agricultural retail business with locations across Yorkshire, Lancashire and North West Wales, which was completed in October 2017. This business has now been successfully integrated and as expected the acquisition has enabled synergies to be achieved with our existing retail business and the team has settled in well. Our retail footprint currently stands at 43 locations.

Machinery sales revenues were ahead of the prior year, up 7.8%, a new record level of sales, as the business continued to benefit from an improved trading environment. We also invested in the expansion of our machinery branch at Morpeth, Northumberland, during the year to provide additional workshop capacity, improving our after-sales service capability.

The oil distribution business delivered sales volumes that were 4.6% ahead of the prior year. The business saw higher demand for heating oil in the colder months earlier in the year, partially offset by a reduction in on-farm activity during the drier summer months.

STRATEGIC ACQUISITION

On 21 September 2018 we acquired Animax Limited, a producer of market-leading trace element supplementation products for livestock, for an initial cash consideration of £6m. Additional cash consideration of up to a maximum of £2.5m is payable over the period to November 2020, based on the achievement of agreed financial targets.

Animax, based in Suffolk in the UK, is at the forefront of innovation in the field of livestock trace element supplementation. Its patent-protected leaching boluses are proven to release trace elements in a controlled and consistent manner over prolonged periods, resulting in improved animal performance. The boluses are currently sold in the UK and overseas under the Tracesure® and Allsure® brands. Animax also produces other leading animal health and trace element supplementation products sold under well-known brands including Copasure®, Copinox®, Coprac®, Easycal® and Pardevit®.

Animax broadens the Group's animal health and supplementation product ranges that deliver added value to farmers. Its products are highly complementary to the established Carr's Group feed block business across the USA, New Zealand, Europe, UK and Ireland.

Carr's will support the growth and development of Animax through investment in research to develop new products and by investing in manufacturing efficiencies. In addition, Carr's expects significant manufacturing, distribution and sales synergy benefits to be realised as a result of the acquisition.

AGRICULTURE OUTLOOK

We remain confident in the prospects of UK Agriculture in the near term following the sustained recovery in farm incomes. We now have greater visibility on the impact of Brexit on farming support in the near term, although uncertainty remains over future trade agreements with the EU and the rest of the world.

Internationally, the gradual recovery in the USA cattle market seen through the course of the year is expected to be sustained, which will contribute to the future growth of this business.

We remain focused on developing our global supplements business. The acquisition of Animax is in line with that strategy; it builds on our established global feed blocks business and provides a broader platform for the next phase of international growth across the Agriculture division. We also remain alert to other suitable acquisition opportunities where we believe there is a strong commercial and strategic rationale.

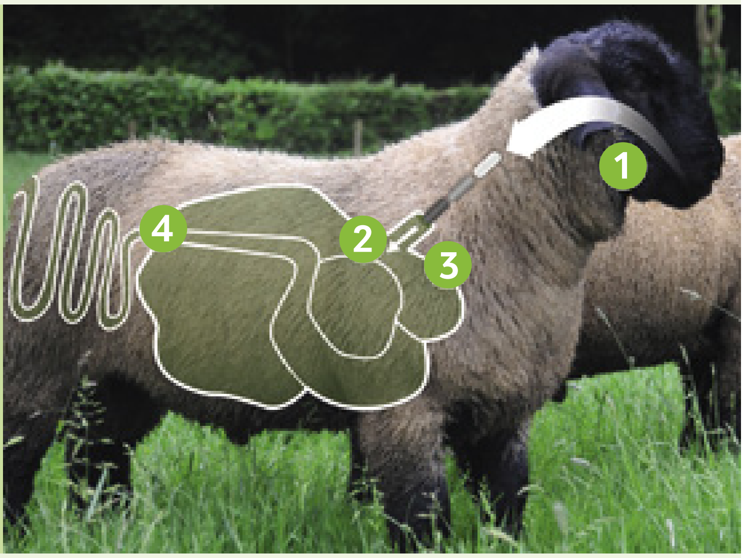
Case Study: Animax Limited

1 **The bolus is inserted orally using a specially designed Animax applicator.**

2 The bolus enters the rumen/reticulum and lodges there. Its optimum density minimises the chance of regurgitation.

3 **Trace elements leach out from the bolus to give the optimum daily supplementation for approximately 6 months.**

4 Spent boluses eventually become enlarged and are shed, by being regurgitated or excreted, usually after about 12 months.



Animax Bolus Technology

On 21 September 2018, Carr's Group plc was delighted to announce its acquisition of Animax Limited, a producer of market-leading trace element supplementation products for livestock.

Animax was founded in 1982 by veterinarian Les Porter who recognised that technology designed to increase yields and production, optimise fertility and support animal health would become increasingly important in modern farming around the world.

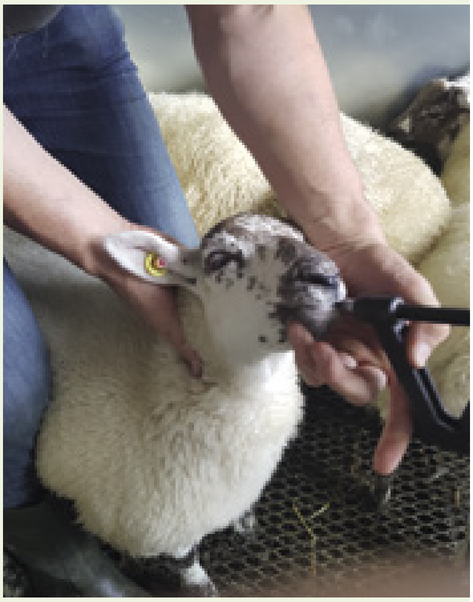
Over the years, and through sustained investment in research, Animax has developed world renowned expertise in manufacturing bolus products which effectively release trace elements into livestock consistently and over periods of up to six months.

Animax's product ranges, including its patent-protected leaching boluses sold under the Tracesure® and Allsure® brands, are manufactured in the UK from its premises in Suffolk and supplied to farming customers globally through a wide distribution network.

Other well respected Animax brands and licensed medicinal products include Copasure®, Copinox®, Coprac®, Easycal® and Pardevit®.

These products are highly complementary to the Group's existing global supplementation business and broaden the Group's range of products which bring added value to farmers.

For more information on Animax and its product ranges, please visit **www.animax-vet.com**.



Engineering

The Engineering division has seen a significant improvement in financial performance during the year, following the challenges experienced in 2017 which were largely attributable to one major contract delay in the UK Manufacturing business. That contract is back on track and performing in line with our expectations.

During the year, revenue was up 43.6% to £43.6m (2017: £30.4m). Adjusted operating profit was up 533.5% to £4.1m (2017: £0.6m) and reported operating profit was up to £3.4m (2017: loss of £0.1m).

UK MANUFACTURING

Our UK Manufacturing business recovered strongly during the year generating revenues of £18.4m (2017: £13.0m). Work on the significant contract announced in July 2017 continues to progress and the order book remains strong. Although there has been a significant improvement in the trading performance during the year, goodwill of £0.5m was written off as a result of an impairment review undertaken.

During the year we strengthened the management team in our fabrication business with the appointment of a new Managing Director and Commercial Director.

In our precision engineering business, the continued recovery of the oil price, together with strengthened management, more effective business development and enhanced manufacturing efficiencies, has delivered a significant uplift in revenues.

REMOTE HANDLING

Our Remote Handling business has performed well during the year and in line with the Board's expectations. Revenues for the financial year totalled £19.5m (2017: £17.2m). The substantial orders into China, awarded in 2017, have all now been successfully delivered during the year. As expected, following the successful completion of these contracts, the order book in the near term is softer than last year, but this is not expected to impact on overall divisional performance and medium-term prospects for our Remote Handling business remain positive.

The extension of our facility in Markdorf, Germany has now been completed, including the full relocation of people and machinery from STABER following its acquisition in October 2016. Operating from a single site should enable efficiency improvements in the medium-term.

Our plans to enter the USA market with Wälischmiller remote handling equipment continue to progress with our first contracts being won earlier than expected during the second half of the year.

Chief Executive's Review (continued)

USA ENGINEERING

Carr's established an engineering presence in the USA through the acquisition of NuVision Engineering, Inc. in August 2017. The business has performed well in its first year of ownership, generating revenues of £5.7m (2017: £0.2m). During the year we completed the integration of NuVision into our wider Engineering division and successfully completed a planned reorganisation of its management and leadership teams.

NuVision has secured a good level of work during the year, including two significant Mechanical Stress Improvement Process (MSIP®) contracts, which substantially strengthen the order book through to FY21.

During the year, we also disposed of NuVision's 49% stake in Mid-Columbia Engineering, Inc (MCE), a non-core loss-making business based in Richland, Washington, to enable greater strategic focus on the development of the USA Engineering business.

ENGINEERING OUTLOOK

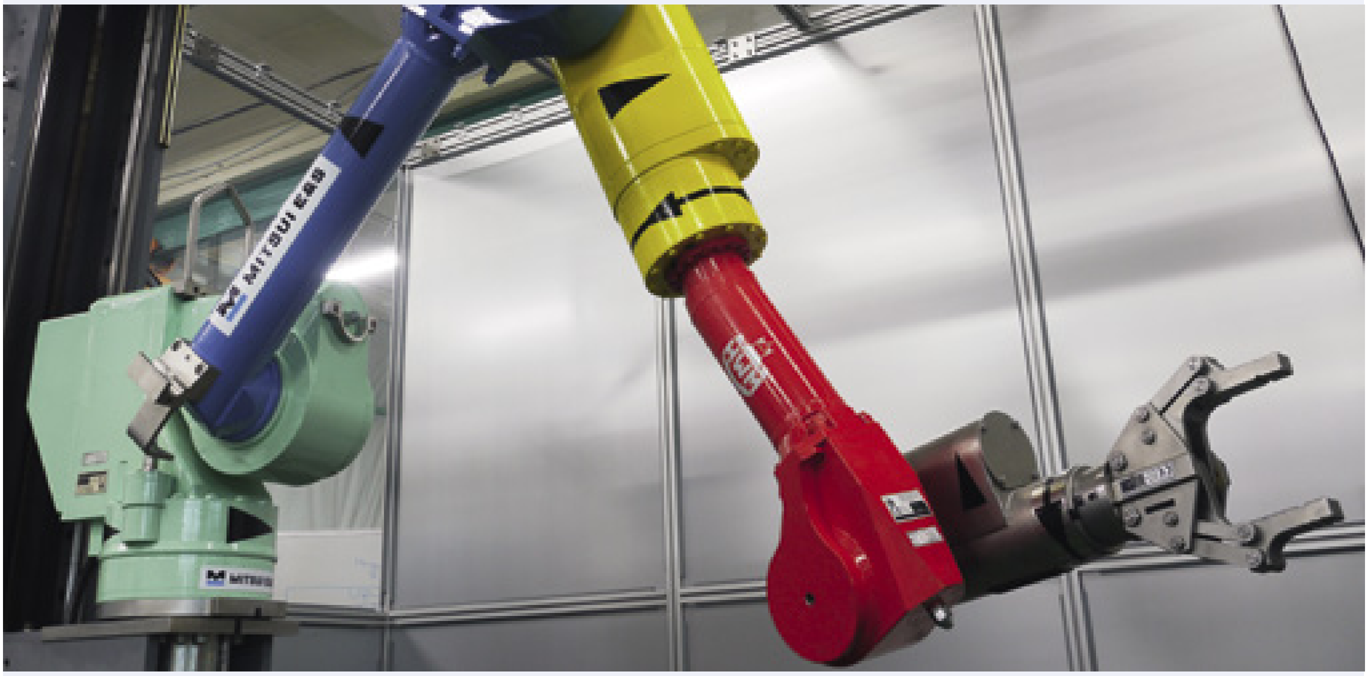
Prospects for the Engineering Division remain good over the medium term. The order books in the UK Manufacturing and USA Engineering businesses remain strong. We remain confident in the long-term outlook for the Remote Handling business with the forecast lower sales in 2019, due to contract phasing, not expected to impact upon the performance of the division.

While uncertainty remains around Brexit and the impact this could have on certain supply chains within our engineering businesses, we believe our geographically diverse operations position the Group well to deliver growth in the medium term. We remain focused on identifying suitable value enhancing acquisitions, which complement our existing operations, and will continue to invest in technology and innovation across the division.

TIM DAVIES
Chief Executive Officer
19 November 2018

Case Study: Wälischmiller Engineering

WÄLISCHMILLER HWM
Quality for Safety.



High resistance manipulator

In 2018, Wälischmiller Engineering, working jointly with Mitsui E&S Machinery, successfully completed the development of a prototype robotic manipulator capable of resisting more than double the radiation levels of conventional systems.

The project, which has taken three years to complete, was aimed at achieving the high levels of radiation resistance required in order to deliver decommissioning services at the Fukushima Daiichi Nuclear Power Station following the 2011 disaster. Not only did the design successfully achieve the required resistance, demonstrating that it would operate effectively at the site, but the development of a new control system has significantly improved operating manoeuvrability through the reduction of wiring. The new design is also constructed in a modular fashion which will allow customisation and changes to use.

It is anticipated that high resistance manipulators will become available for production during 2019 in what represents an important step for the Group's remote handling offering to the nuclear decommissioning industry.

For more information on Wälischmiller Engineering GmbH, please visit www.hwm.com.

Risk Management

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 carrying out the Group's businesses 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 reviews 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
BREXIT The UK's impending exit from the European Union (EU) highlights a number of risks for the Group. 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, together with any issues relating to availability of raw materials, could impact the cost base of the Group or its ability to service customers.	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 might be required in order to mitigate any potentially adverse consequences including the imposition of any tariffs.
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 where appropriate. From a system development perspective, major projects are subject to appropriate project governance arrangements.
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 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 a number 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 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 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. 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 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 a number of 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 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 2018 following this year's review. This considered the Group's current position for 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 2021 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 2021, so that 2 years 10 months remains at the time of approval of this year's annual report. 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. The second and third years are in a similar level of detail.

The Group's principal risks are set out on pages 14 to 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 Board's best estimate of the future prospects of the business, it has 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 2021.

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 on pages 61-65 of the accounts.

Financial Review

The key features of the year have been the recovery in performance in parts of the UK Manufacturing and USA Agriculture businesses, together with the strong performance in Remote Handling and the impact of the acquisition of NuVision Engineering, Inc.

NEIL AUSTIN
GROUP FINANCE DIRECTOR

Current and Future Development and Performance

REVENUE

Reported revenues from continuing operations were £403.2m, 16.5% ahead of last year (2017: £346.2m).

Revenues have increased primarily as a result of higher sales volumes across the business, and also the first full year of inclusion of NuVision, which was acquired in August 2017.

OPERATING PROFIT

Group operating profit before amortisation of acquired intangible assets and non-recurring items of £17.5m is up 44.4% on last year (2017: £12.1m). As a percentage of revenues, Group operating margin before amortisation of acquired intangible assets and non-recurring items is 4.3% compared to 3.5% in 2017.

These increases are principally due to the recoveries in trading performances in UK Manufacturing and in USA Feed Blocks, and the first full year of NuVision.

Operating profits, before amortisation of acquired intangible assets and non-recurring items, per division and as a percentage of divisional revenues are as follows:

Operating Profit	2018 £m	2018 %	2017 £m	2017 %
Agriculture	13.4	3.7	11.4	3.6
Engineering	4.1	9.4	0.7	2.1
Total	17.5		12.1	

This year the Group has amended its presentation of the results of associates and joint ventures so that they are above, and therefore included within, operating profit. The Board's view is that the inclusion of these results within operating profit better reflects the nature of these investments as integral to the Group's trading activities. The comparative figures have been restated accordingly.

The Group's share of the post-tax result in its associates and joint ventures was £3.2m, compared to £2.8m in 2017. 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.

AMORTISATION AND NON-RECURRING ITEMS

The Group incurred £0.8m in respect of non-recurring items in the year. This included acquisition costs of £0.1m, primarily related to the acquisitions of Pearson Farm Supplies Limited and Animax Limited, and a charge of £0.2m related to contingent consideration payable dependent, in part, on continued employment, which is required to be expensed under IFRS rather than included within goodwill. There was also a write-off of goodwill of £0.5m in the UK Manufacturing part of the Engineering division, relating to the Bendalls business. This was following a detailed impairment review and reflected a more cautious view in relation to future growth assumptions in this particular business.

FINANCE COSTS

Net finance costs of £0.9m were higher than the previous year (2017: £0.7m), reflecting higher borrowings throughout the year. Interest cover was 18.2 times based on reported profit (19.3 times on an underlying profit basis) compared to 15.5 times in 2017.

PROFIT BEFORE TAX

Adjusted profit before tax, which is before amortisation of acquired intangible assets and non-recurring items, at £16.6m was 45.2% higher than in the previous year (2017: £11.4m). Reported profit before taxation was £15.5m (2017: £10.0m).

TAXATION

The Group's effective tax charge on profit from activities after net finance costs and excluding results from associates and joint ventures, which are recorded after tax, was 15.1% (2017: 23.7%). A reconciliation of the actual total tax charge to the standard rate of corporation tax in the UK of 19% is given in note 7 to the financial statements. The reduction is primarily due to the reduction in US tax rates that reduce deferred tax balances in businesses based in the USA.

EARNINGS PER SHARE

The profit attributable to the equity holders of the Company amounted to £11.9m (2017: £7.0m), and basic earnings per share was 13.0p (2017: 7.7p), an increase of 68.8%.

Adjusted earnings per share of 13.9p (2017: 8.9p) is calculated by dividing the profit attributable to equity holders for the year, before amortisation of acquired intangible assets and non-recurring items, by the weighted average number of shares in issue during the year.

ACQUISITIONS

The Group has made one acquisition in the year, and one acquisition since the year end.

Pearson Farm Supplies Limited was acquired by the Group on 31 October 2017 for a cash consideration of £1.2m, including deferred consideration of £0.2m. Pearson has since been fully integrated into Carrs Billington Agriculture (Sales) Limited.

Since the year end, on 21 September 2018 the Group acquired the entire issued share capital of Animax Limited and Clinimax Limited. The initial cash consideration payable was £6.0m, with additional contingent consideration of up to £2.5m payable based on future financial performance in the period to 30 November 2020.

Further details on the acquisition of Pearson are given in note 28 to the financial statements and in respect of Animax and Clinimax in note 35 to the financial statements.

Cash flow and net debt	**2018**
	£'000
Operating profit	16,405
Depreciation and loss on disposal	4,397
Amortisation and impairment of goodwill	913
Associates and joint ventures	(3,215)
EBITDA (excluding associates and joint ventures)	**18,500**
Increase in inventories	(5,106)
Increase in receivables	(7,015)
Increase in payables	7,449
Other	1,152
Net operating cash flow	**14,980**
Net interest	(984)
Taxation	(2,511)
Cash flow from continuing operations	**11,485**
Maintenance capex	(1,962)
Free cash flow	**9,523**
Expansionary capex	(2,851)
Acquisitions	(4,139)
Dividends received	704
Dividends paid to Company shareholders	(3,770)
Loans, finance leases and financing costs	76
Other	(763)
Cash flows	**(1,220)**
Opening net debt	**(14,139)**
Closing net debt	**(15,359)**

CASH FLOW AND NET DEBT

A free cash flow of £9.5m was generated in the year, representing a decrease of 15.4% on £11.3m in the previous year.

The decrease was substantially due to a higher level of working capital which is mainly attributable to higher levels of activity in UK Agriculture over the summer months. After payment of £3.8m of dividends to Shareholders of the Company and £4.1m on acquisitions, the cash outflow for the year was £1.2m, resulting in closing net debt of £15.4m.

Headroom against existing facilities was £27.2m at the year end. The Group's banking facilities were due for renewal in June 2019, however, these have been renewed since the year end for a five year period.

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 96 deferred members and 223 current pensioners.

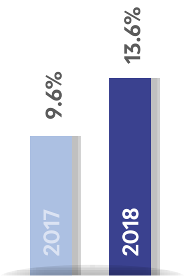
The valuation on an IAS 19 accounting basis showed a surplus before the related deferred tax liability in the scheme at 1 September 2018 of £10.1m (2017: £5.2m). This is after an actuarial gain of £4.8m (2017: £5.0m) which has been recognised in the Consolidated Statement of Comprehensive Income.

Since the year end, the High Court has ruled on the case of *Lloyds Banking Group Pensions Trustees Ltd v Lloyds Bank plc and others.* The ruling that Lloyds Bank Group must amend its three defined benefit pension schemes to equalise Guaranteed Minimum Pensions (GMPs) between males and females will impact how companies account for pension schemes under IAS 19. The Group are currently working with advisers to understand the accounting impact and this will be reflected in the Group's interim results for 2019. This is not expected to be material to the Group's net assets.

NEIL AUSTIN
Group Finance Director
19 November 2018

Key Performance Indicators

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



Underlying sales growth/decline

+13.6%

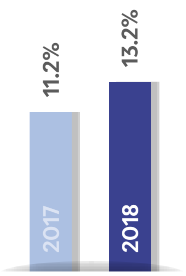
Financial Review
Pages 18-19

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

13.2%

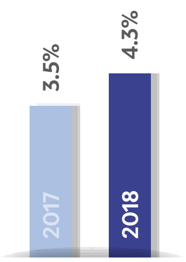
Financial Review
Pages 18-19

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 increased to 13.2% in the current year, which reflects the improvement in market conditions in USA Agriculture and also improved performance in UK Manufacturing.



Adjusted Group operating margin

4.3%

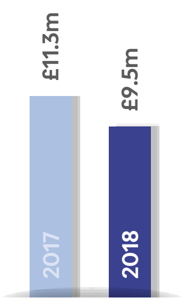
Financial Review
Pages 18-19

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 increase in underlying operating margin to 4.3% reflects the factors described in gross margin, and also the impact from the acquisition of NuVision at the end of the previous financial year.



Free cash flow

£9.5m

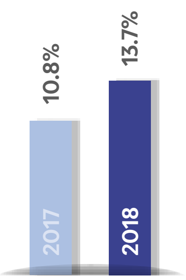
Financial Review
Pages 18-19

Definition

Cash generated from operating activities 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 decrease in FY18 is predominantly due to working capital changes across the business.



Return on net assets

13.7%

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 increased to 13.7% this year. This increase reflects the improved financial performance across the Group, and in particular the performances in USA Agriculture and UK Manufacturing described above.

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 is currently Chairman of Carlisle Youth Zone, having been appointed in 2013.

JOHN WORBY
SENIOR INDEPENDENT DIRECTOR
AUDIT COMMITTEE CHAIRMAN

John was appointed a Non-Executive Director in April 2015. John is currently Senior Independent Director and Chairman of the Audit Committee of Hilton food Group plc. John was previously the Finance Director of Genus plc and a Non-Executive Director of Cranswick plc and Fidessa Group 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 between 2017-2018 held 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 and Chief Executive of Cumbria County Holdings 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 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.

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;
- supports employee engagement.

Engagement

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.

During the year we were pleased to launch "Carr's Connect", an employee intranet for the Group. This represents another step forward and one which enables us to communicate with our workforce more easily. Carr's Connect not only ensures that our employees are aware of developments across the Group, but it also provides access to up to date resources.

The Board remains committed to workforce engagement, and in promoting a healthy and open culture which aligns with its strategy. The Board will continue to review its engagement practices during the current financial year to ensure that these are effective and appropriate as we move towards the 2018 Corporate Governance Code, which will apply to the Group from September 2019.

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.

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. 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.

Year overview

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

We are pleased to report that our Group-wide induction training, which was launched last year, has been hugely successful and now forms part of our onboarding process for all new employees at all levels. 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.

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 take our business forward.

The course covers the following areas:

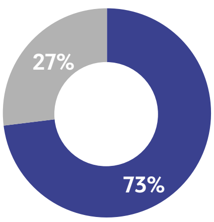
- Company History;
- Company Structure;
- Vision, Strategy and Values;
- The Way We Work;
- Introduction to Health & Safety; and
- Customer Service.

In addition to induction training, we have been able to produce a full Training Calendar covering a 12 month period for all levels. The calendar, which is accessible to employees through Carr's Connect, includes a range of development courses which can be selected to meet a variety of training needs. Uptake across the Group has been very strong with many employees taking an active interest in the development of their skills. We continue to encourage employees to consider their own development and incorporate learning into their roles across the Group.

As part of our ongoing commitment to supporting professional development, we ran two Management Development Programmes during 2018 for Line Managers to enhance their leadership skills.

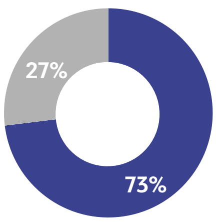
The programme includes essential modules that help managers increase their level of knowledge and implement effective workplace principles and practices.

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
Module 6	Communication and effective behaviours in meetings



The Group employs, 1,082 people*. which is split as follows:

- 786 Men
- 296 Women



Senior Managers and Executives, male and female*:

- 11 Men
- 4 Women

*As at 1 September 2018.

Corporate Responsibility (continued)

We have also developed a new Leadership Development Programme which builds upon the Management Development Programme.

Module 1	Differentiating self as leader
Module 2	Common language and behaviours
Module 3	Uncertainty and ambiguity
Module 4	Success and sustainability

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 2015, Non-Executive Director 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 56, an increase of 12 on the 44 accidents recorded during the previous year.

This increase, whilst on the face of it disappointing, is largely attributable to an increase in the number of minor injury accidents in the UK Agriculture Division which reflects the increased emphasis being afforded across the Group to near-miss and accident reporting.

The number of RIDDOR reportable injuries and overseas equivalents has however remained constant from the previous year at 4. The number of days lost in the year arising from these was 71, an increase from 57 in the previous year.

During 2017-2018 there have been several Health and Safety initiatives in both the UK and overseas. Certain UK businesses within the Engineering division have achieved ISO 18001 accreditation. In the Agriculture division, we have rolled out further IOSH accredited training at both supervisory and senior management level and appointed a Health and Safety specialist to work across the UK businesses.

The Board remains committed to continuously improving standards of health and safety across the Group and is confident that its policy of increased awareness and appropriate training will best ensure the safety and wellbeing of the workforce.

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 is currently being planned for early 2019 and will be completed 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 84.3% of its electricity from renewable sources.*

*Haven Power Limited Annual Disclosure Statement 2018

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 1 September 2018. The energy intensive UK feed blocks 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.

The total amount of CO_2 generated across the Group during the year ended 1 September 2018 was 18,806 tonnes, an increase from 16,692 tonnes in the previous year. This increase is largely due to increased levels of activity in Agriculture and also the acquisition of NuVision in September 2017.

Carr's Group – Carbon CO_2 Generation 2017/18 v 2016/17

Division	CO_2 Tonnes 2017/18	CO_2 Tonnes 2016/17
UK Agriculture	2,406	1,815
Overseas Agriculture	11,627	10,789
UK Engineering	996	944
Overseas Engineering	476*	234
Head Office	55	52
Sub Total	**15,560**	**13,834**
Transport	3,246	2,858
Total	**18,806**	**16,692**

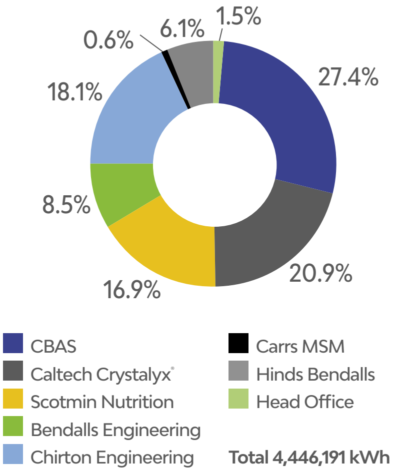
*Includes NuVision Engineering, Inc.

Energy Utilisation

The table below details overall electricity and gas consumption across the Group in the year ended 1 September 2018.

Annual UK Group Electricity Consumption	4,446,191 kWh
Group Overseas Electricity Consumption	5,233,313 kWh
Annual UK Group Gas Consumption	7,559,714 kWh
Group Overseas Gas Consumption	50,953,986 kWh
Total Other Fossil Fuel Consumption	12,046,644 kWh

Total UK Electricity by Trading Division



Transport Fuels

During the year ended 1 September 2018 the Group utilised 1,212,765 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 3,246 tonnes, up from 2,858 tonnes in the previous year.

Intensity Metric

Due to the diverse nature of the Group's operations, we measure our relative carbon footprint by reference to the Group's overall size and activities. During the 2017/18 financial year, the Group generated 18,806 tonnes of CO_2 against its overall turnover of £403.2m which equates to 46.6 tonnes per £m turnover. This represents an improvement of 3.5% against our 2016/17 financial year during which the Group generated 48.2 tonnes per £m turnover.

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 which are monitored as part of our commitment to reducing our environmental impact.

COMMUNITY

Carr's takes an active role in supporting the communities in which it operates. During 2018, that support has taken a variety of forms including charitable monetary donations, fundraising and voluntary work.

Carrs Billington Agriculture (Sales) Ltd 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 Carrs Billington raised, it ran a competition to support WellChild requiring farmers to create eye-catching displays from their purple hay bales which could be customised with accessories. Farmers taking part submitted their photos of their creations, which were then displayed on social media.

In August 2018, a team of 32 Carr's employees successfully completed the Total Warrior Lakes challenge, together raising over £2,400 to be shared between the Adult Brain Tumour Fund at The Christie and Macmillan Cancer Support.

During the year, Carr's 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.

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

Corporate Governance Report

Good governance is central to the integrity, reputation and performance of the Group. The Board remains committed to maintaining high standards.

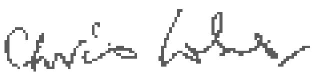
CHRIS HOLMES
CHAIRMAN

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"). In 2017, the Board reviewed its membership of the Audit and Remuneration Committees. As a result, I stood down from both Committees to ensure that they are comprised exclusively of Non-Executive Directors considered by the Board to be independent. I am pleased to report that as a result of this change in 2017, the Board considers that it is in full compliance with the Code.

During the year, the Board and its Committees considered the FRC's Consultation on the Proposed Revisions to the UK Corporate Governance Code and, subsequently, the 2018 Corporate Governance Code which was published on 16 July 2018. The 2018 Code will apply to the Group from September 2019. During the current financial year, the Board will continue its review of the 2018 Code with a view to taking any steps required to ensure that the Group's governance framework remains robust, effective and reflective of good governance practice.



CHRIS HOLMES DL
Chairman
19 November 2018

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 1 September 2018, complied with the requirements of the Code in their entirety.

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 opposite. A portion of their time is also spent on administrative matters.

OUTLINE OF MATTERS FOR BOARD

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. In addition, the Directors have responsibilities and duties under legislation, in particular the Companies Act 2006.

During the year ended 1 September 2018, the Board comprised 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 11 times throughout the year. In addition to the regular scheduled meetings, unscheduled supplementary meetings may also take place as and when necessary. During this financial year it was not necessary for any unscheduled meetings to take place. 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:

- providing effective leadership of the Board;
- promoting ethical behaviours and high standards of corporate governance;
- ensuring the effectiveness of the Board in fulfilling its responsibilities;
- setting the Board agenda;
- ensuring that members of the Board are well informed to enable the Board to make sound and effective decisions and ensure constructive discussion;
- ensuring effective communication with shareholders and other stakeholders;
- identifying and meeting (in conjunction with the Company Secretary) the development needs of the Board and for each Director; and
- providing strategic insight and 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 team attend and make presentations as appropriate at meetings of the Board. 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 below.

MEETING ATTENDANCE

	Board	Audit Committee	Remuneration Committee	Nominations Committee
No. of meetings	11	3	6	1
Chris Holmes	11	3*	6*	1
Tim Davies	11	3*	N/A	1*
Neil Austin	11	3*	N/A	1*
Alistair Wannop	11	3	6	1
John Worby	11	3	6	1
Ian Wood	11	3	6	1

*Attended meeting in full or part by invitation

Corporate Governance Report (continued)

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.

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 Directors are considered by the Board prior to their appointment. In this financial year there have been no declared conflicts of interest.

BOARD EVALUATION

Each year the Board undertakes a review of its effectiveness. During 2017 the Board conducted an independent external review which was facilitated by Independent Audit Limited. That 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 continued 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 which drew positive conclusions including that the Board and its Committees were performing effectively and are appropriately constituted. The report went on to make certain further recommendations including the planning of agendas to include further business-specific reviews and increasing the focus on succession planning and people issues more generally.

During 2018, the Board carried out an internal review which built upon the 2017 external review. The internal review was led by the Chairman with the assistance of the Company Secretary. It commenced with discussions between the Chairman and the Company Secretary, a review of the findings of the 2017 external review and of progress made during the year against its recommendations. The discussions led to the design of a questionnaire which was disseminated to members of the Board. Responses to the questionnaires were collated by the Company Secretary and a report presented to the Board detailing any views expressed by members of the Board together with progress made to date against previous recommendations. That report was the subject of a detailed and constructive discussion by the Board.

The 2018 review demonstrated that progress had been made towards implementing the recommendations made in 2017. In particular, the Board agenda continues to include a number of site visits each year and greater focus has been placed on succession and people issues both by the Board and the Nominations Committee. The review confirmed the conclusions drawn in 2017 that the Board and its Committees were performing effectively and were appropriately constituted. Further actions agreed by the Board following the 2018 review included continuing to place further emphasis on succession planning, continuing the Board's review of the Group's corporate governance framework in the light of the 2018 Code, increasing internal audit activity during this financial year and further developing the information reported to the Board in respect of KPIs in the Engineering division.

During the year, the Chairman also 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.

NON-EXECUTIVE DIRECTOR INDEPENDENCE

The outcomes from the external review in 2017 and the internal review in 2018 also enabled the Board to confirm its views in relation to Non-Executive Director independence. This was given greater focus due to the tenure of Alistair Wannop being more than nine years. The reports did not highlight or give rise to 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, does not 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 Company and the markets in which it operates was of enormous benefit to the Board. The Board has therefore determined that Alistair Wannop, Ian Wood and John Worby are independent. The question of Non-Executive Director independence is a matter which is kept under review and thoroughly assessed by the Board.

BOARD COMMITTEES

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 independent Non-Executive Directors: John Worby (Chairman), Ian Wood and Alistair Wannop. 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 independent Non-Executive Directors: Ian Wood (Chairman), John Worby and Alistair Wannop. 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 Chris Holmes (Chairman), Alistair Wannop, John Worby and Ian Wood. The work, responsibilities and governance of the Nominations Committee are set out on page 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.

We engage with our shareholders through our 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 receiving a half year statement, and we produce trading updates during the year. All reports and updates are made available on the Company's website.

The AGM provides all shareholders with the opportunity to develop further their understanding of the Group. 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 Company aims to send notices of AGMs 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 Group'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 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.

By order of the Board

MATTHEW RATCLIFFE
Company Secretary
Carlisle
CA3 9BA
19 November 2018

Audit Committee Report

During the year, the Committee conducted an audit tender whilst continuing its focus on contract accounting and the enhancement of controls within the Engineering division.

JOHN WORBY
CHAIRMAN OF THE AUDIT COMMITTEE

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. This has been a significant year for the Committee, having conducted an external audit tender process during the spring.

The report sets out full details of the external audit tender and selection process which resulted in KPMG LLP ('KPMG') being selected as auditors subject to approval at the AGM in January 2019.

Given the historic association with the Group, having first been appointed in 1909, and in the spirit of the UK corporate governance framework, PwC were not invited to re-tender for the audit.

On behalf of the Board and the Audit Committee, I would like to thank PwC for their level of diligent service to the Group over what has been a remarkable period.

I would also like to welcome KPMG to the role from next year and we look forward to working alongside them in 2019.

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
- monitor and review the internal audit activities in the Company.

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

COMPOSITION OF COMMITTEE AND MEETINGS

The Audit Committee comprises the three Non-Executive Directors, John Worby, who is Chairman of the Committee, Ian Wood and Alistair Wannop. The Chairman of the Committee has recent and relevant financial experience and collectively the members of the Committee have experience of the agricultural and engineering industries. Details of Committee members' qualifications can be found on page 21.

The Audit Committee met three times during the year, and has an agenda linked to the Group financial calendar. It invites the Chairman, the Chief Executive, the Group Finance Director, the Head of Group Finance, the Head of Business Finance 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 1 September 2018.

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 prior year. The Committee noted that the performance of Chirton was significantly better than the prior year and ahead of expectations. The Committee also noted that there had been improvements made to the controls in operation across both businesses. Whilst the performance of Bendalls was much improved, it was below original expectations. In the light of this, the Committee determined that an impairment of the goodwill associated with Bendalls should be made totalling £0.5m. The Committee was satisfied that the remaining carrying value of the Bendalls business was recoverable. In relation to Chirton, it was determined that, given its financial performance during the year, no further impairment of goodwill was required over and above that made in 2017;
- Provisioning policies in relation to accounts receivable, particularly in the Agriculture division, and for certain disputes and potential claims/ liabilities. The Committee determined that the judgments made were appropriate to justify the provisions held at 1 September 2018;
- Accounting for long term contracts. The Committee reviewed performance on certain contracts in the Engineering division which were only part complete at the year end and agreed with management's judgements; and
- Finalisation of the valuation of certain intangible assets of NuVision following its acquisition in August 2017. 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 was satisfied that, where relevant, 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 continued to review the effectiveness of the Group's internal control and risk management systems. The Committee noted that work done by internal audit, as discussed below, confirmed that recommendations made in the prior year to improve controls in the UK Engineering business had been implemented.

The Committee reported to the Board that it had reviewed, and was satisfied with, the effectiveness of the Company's internal control and risk management systems.

EXTERNAL AUDIT

PwC and its predecessor firms have been the external auditors for Carr's Group plc since 1909. The Audit Committee annually assesses 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 being appointed for the Group's 2014 year end.

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 for the 2018 financial year.

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. In addition, each year, the Audit Committee assesses its performance and the effectiveness of the external auditor through a questionnaire completed by Audit Committee members and members of the Group's senior finance team. The output of that review was considered in detail, discussed by the Audit Committee and discussed with the external auditors. The Committee was satisfied with the review process, the performance of the Committee and the effectiveness of the external audit.

EXTERNAL AUDIT TENDER

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

As indicated in our 2017 Annual Report and Accounts, and in accordance with regulatory requirements, the Committee initiated and supervised a tender process with a view to appointing a new external auditor for the 2019 year end following the conclusion of the five year term of the current audit partner.

As explained above, PwC were not invited to tender due to their length of service to the Group. Following a detailed shortlisting process, three audit firms were selected which were considered to have suitable experience across both of the Group's divisions and in each of the Group's geographies. The process was overseen by the Audit Committee Chair, who also chaired the selection panel.

The tender process commenced in December 2017 with the establishment of a secure data room accessible to tendering firms. Invitations to tender were issued in January 2018 and meetings with the Chairman of the Company, Audit Committee Chairman and key management across the Group took place during February and March 2018. Tender proposals were submitted in March 2018 which were followed by presentations being delivered by tendering firms to the selection panel, which comprised the Audit Committee Chairman and key Group management in April 2018.

Audit Committee Report (continued)

The selection process was carried out using rigorous scoring criteria determined at the outset of the tendering process which included consideration of each firm's:

- quality of service, approach and expertise;
- independence, effectiveness and efficiency;
- commitment and proactivity;
- culture and the potential for relationship building;
- clarity of communication;
- audit quality procedures; and
- proposed fees, and ability to deliver value.

The respective merits of the tendering firms were subsequently debated by the Committee and each of the members of the selection panel. Ultimately, the Committee recommended KPMG, with Nick Plumb as lead audit partner, to the Board as the Group's new external auditors as it was considered that they were best placed to fulfil the selection criteria and deliver an effective audit service to the Group.

The Board's proposed appointment of KPMG to act as the Group's auditors for the 2019 financial year was announced on 27 April 2018. KPMG's appointment will be put to shareholders at the AGM which will take place on 8 January 2019.

As part of KPMG's preparations for their engagment as external auditors, KPMG attended the 2018 year end Audit Commitee meeting.

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, the Group's external auditor must implement rules and requirements which include that none of their employees working on our audit can hold any shares in Carr's. The external auditor 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. The policy can be viewed on the Company's website www.carrsgroup.com.

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 2018 financial year end, there was no non-audit work undertaken by the Group's auditors.

INTERNAL AUDIT

Following the acquisitions of NuVision Engineering, Inc and STABER GmbH it was determined in 2017 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.

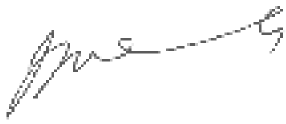
During the year, the Group appointed an individual to the position of Head of Internal Audit and established the framework under which internal audit will operate, including an internal audit charter and a risk assessed internal audit plan which was approved by the Committee. During the year, the internal audit work was focused on reviewing the controls in the UK Engineering business and ensuring appropriate implementation of the controls recommendations from the 2017 review.

In view of its establishment during the year, no formal review of internal audit was undertaken in the year but it is planned this will be undertaken in the year ahead when the internal audit function is anticipated to be in full operation.

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
19 November 2018

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 and the Board, I am pleased to present the Report of the Remuneration Committee for the year ended 1 September 2018.

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

1. This Annual Statement, which summarises the key considerations of 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 was approved at the AGM which took place on 9 January 2018. There are no changes to the Directors' Remuneration Policy for 2018/19.
3. The Annual Report on Remuneration, which sets out how the Remuneration Policy has been applied in 2017/18, the remuneration received by Directors for the year and how the policy will be applied in 2018/19. The Annual Report on Remuneration will be subject to an advisory shareholder vote at the AGM.

Performance and Remuneration in 2017/18

As described in the Strategic report, the Group's financial performance in the year under review was better than the Board's original expectations. Overall, reported profit before tax was up 55.0% to £15.5m (2017: £10.0m) and adjusted earnings per share was up 56.2% to 13.9p (2017: 8.9p). In addition to this strong financial performance, good progress was made towards achieving the Group's strategic targets and in positioning the business well for future growth. The financial and strategic targets set by the Remuneration Committee, together with the resulting remuneration payable to the Executive Directors, are detailed in the Remuneration Committee's Report which follows.

Key matters for consideration in 2017/2018

The current Directors' Remuneration Policy was approved by shareholders at the AGM which took place on 9 January 2018. As promised in the Remuneration Report for 2017, which was also approved at that AGM, the Committee has spent time during the last year considering the performance measures currently used by the Committee in relation to LTIP. In particular, the Committee has considered a number of financial and market performance measures with a view to ensuring that the long-term incentives offered to Executive Directors and Senior Management best align with the interests of the Group and its shareholders.
After a detailed consideration, involving independent advice from remuneration consultants and consultation with certain shareholders, the Committee determined that growth in adjusted earnings per share (EPS) remained the most appropriate measure against which the long-term performance of the Group should be assessed. This is because growth in adjusted EPS directly measures improvement in the Group's underlying financial performance and is visible to shareholders. No changes to the Committee's Remuneration Policy are therefore proposed this year.

How the policy will be implemented in 2018/19

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 2018/19, the maximum annual bonus for the Executive Directors' will remain 100% of salary, with 25% of any bonus being deferred for two years in the form of shares. 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 2018 of 2.5%. This is consistent with the rest of the workforce.

I hope that you are able to support the Remuneration Committee's Report at the forthcoming AGM.

IAN WOOD
Chairman of the
Remuneration Committee
19 November 2018

Remuneration Committee Report (continued)

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 was approved by the shareholders at the AGM which took place on 9 January 2018 and is therefore currently in effect. No changes to the policy are proposed for approval at the forthcoming AGM on 8 January 2019.

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 Group's Executive Directors and Chairman;
- determining the total remuneration packages, authorise terms and conditions, and issue contracts for the Board;
- approving the design and determining 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 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.

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 took into account guidance issued by shareholders and proxy agencies. During both 2017 and 2018, detailed discussions took place with certain major shareholders and proxy agencies with a view to formulating this policy and any changes that might be required to be made to it. The Committee continues to welcome feedback from shareholders received at each AGM in addition to 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 deferred 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.	A 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 are based upon an EPS growth measure. During 2018 the Committee considered the potential introduction of one or more additional LTIP performance measures in consultation with certain major shareholders. Following such consultation, it was determined that EPS remained the most appropriate measure for assessing performance for the purpose of the LTIP and so no changes to the LTIP are proposed this year. 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 defined reasons.	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. They may also receive limited travel or accommodation-related benefits in connection with their role as a Director. 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 assessed against growth in 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 foreign exchange rate movements, changes in accounting treatment, 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.

Remuneration Committee Report (continued)

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 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.

Effective dates of service contracts and first appointment to the Board for all Directors are given 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.

	Effective 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	2 September 2018	7 January 1992
Alistair Wannop	2 September 2018	1 September 2005
John Worby	2 September 2018	1 April 2015
Ian Wood	2 September 2018	1 October 2015

ESTIMATES OF TOTAL FUTURE POTENTIAL REMUNERATION FROM 2018/2019 PAY PACKAGES

The tables below and opposite provide estimates of the potential future remuneration of each Executive Director based on the remuneration opportunity granted in the 2018/2019 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 2018.

Benefits are valued using the figures in the total remuneration for the 2018 financial year table, adjusted for any benefits that will not be provided during 2019.

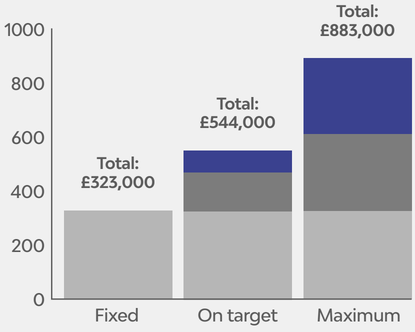
Pensions are valued by applying the appropriate percentage to the base salary.

	Base £'000	Benefits £'000	Pension £'000	Total £'000
Tim Davies	280	1	42	323
Neil Austin	207	1	31	239

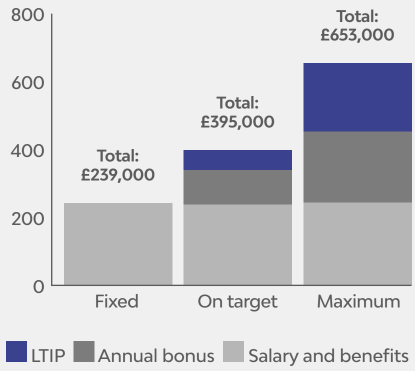
On target — Based on what a Director would receive if performance was in line with plan and the threshold level was achieved under the LTIP.

Maximum — Assumes that the full stretch target for the LTIP are achieved, and maximum performance is obtained under the annual bonus scheme against both financial and non-financial measures.

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 2017/18.

Remuneration Committee

The Remuneration Committee comprises Ian Wood (Chairman), John Worby and Alistair Wannop. The Committee met on 6 occasions during the year with all members in attendance (see page 27). The greater frequency of meetings in the current year can be attributed to the implementation of changes which were introduced to the Committee's Remuneration Policy and approved at the January 2018 AGM.

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;
- financial and strategic bonus targets for the Executive Directors;
- the outcome of bonus arrangements for Executive Directors and senior management;
- the award, and vesting, of long term incentives for Executive Directors and senior management;
- overall remuneration of Executive Directors; and
- shareholder feedback in relation to long term incentive performance measures and remuneration policy generally.

2018 Remuneration

In this section we summarise the pay packages awarded to our Executive Directors for performance in the 2018 financial year versus 2017. The table on 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.

2018 ANNUAL BONUS PAYOUT

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

80% of the bonus was based on Group adjusted profit before tax (PBT). Adjusted PBT is calculated as reported PBT after adding back or deducting any one-off items outside of normal trading that were not anticipated at the time the performance 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 1 September 2018, the PBT targets were set in accordance with the table below.

	Threshold target £'000	Maximum target £'000
Group	14,700	15,800

Payments are adjusted on a straight line basis between the threshold and maximum PBT targets.

Remuneration Committee Report (continued)

DIRECTOR REMUNERATION 2017/2018 (AUDITED INFORMATION)

	Salary/Fees		Benefits [1]		Bonus [2]		LTIP [3]		Pension		Total	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Executive Directors												
Tim Davies	**274**	267	**1**	1	**274**	0	**271**	0	**41**	40	**861**	308
Neil Austin	**202**	197	**1**	1	**202**	0	**200**	0	**30**	30	**635**	228
Non-Executive Directors												
Chris Holmes	**80**	78	—	—	—	—	—	—	—	—	**80**	78
Alistair Wannop	**38**	37	—	—	—	—	—	—	—	—	**38**	37
John Worby	**38**	37	—	—	—	—	—	—	—	—	**38**	37
Ian Wood	**38**	37	—	—	—	—	—	—	—	—	**38**	37

[1] Benefits consist of private medical insurance.

[2] 25% of the bonus awarded in 2018 was deferred in the form of shares.

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

2018 ANNUAL BONUS STRATEGIC TARGETS

Tim Davies **Target**	**Details**
Delivering growth	Implementing the Board's strategy in relation to the development of the Group's international feed blocks/supplements business in select new territories. Identification of suitable acquisition opportunities, delivery of strategic acquisitions and successful business integration within the Group's wider divisions.
Enhancing structure within Engineering Division	Strengthening of management teams across UK Manufacturing business and implementing planned management succession within NuVision Engineering, Inc. Developing the Group's Remote Handling business in the USA in accordance with the Board's strategy.
Neil Austin **Target**	**Details**
Developing controls in new territories	Ensuring that new overseas businesses are established with appropriate controls and reporting mechanisms to support the Growth of the Group's international feed blocks/supplements businesses.
Developing Group IT systems	Developing and implementing the Board's IT strategy across the Group including a new Enterprise Resource Planning system.
Enhancing existing controls and reporting mechanisms	Enhancing KPI reporting within the Engineering division to enable better review and assessment of performance and forecasts. Developing further cash flow reporting of business units to enable clearer review and assessment of business performance and forecasts.

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

For the year ending 1 September 2018, adjusted PBT for the Group was £16.6m. This performance was ahead of the maximum bonus target and therefore the full 80% was payable in connection with the Group's financial targets.

Strategic targets, which account for 20% of the bonus, were set at the start of the year. Details of certain targets and their performance against them is summarised on page 40.

At the end of the financial year, the Committee noted that substantial progress had been made against the strategic targets. A decision was therefore made to pay the full 20% bonus in relation to this element of the scheme.

In accordance with the Remuneration Policy, 25% of the bonus payable for 2018 was deferred for two years in the form of shares.

LONG TERM INCENTIVE PLAN

The awards made to Executive Directors in 2015 were subject to Average EPS growth targets over three year period ending on 1 September 2018. Threshold vesting was set at 3% average annual growth. The Average EPS growth over the three year period was 13.6% and, accordingly, 100% of shares under the long-term awards made to Executive Directors in 2015 vested.

LONG TERM INCENTIVE PLAN AWARDS DURING THE YEAR (AUDITED)

Long-term awards for 2018 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	220,398	100% of salary	274	25%	August 2020
Neil Austin	163,095	100% of salary	202	25%	August 2020

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.

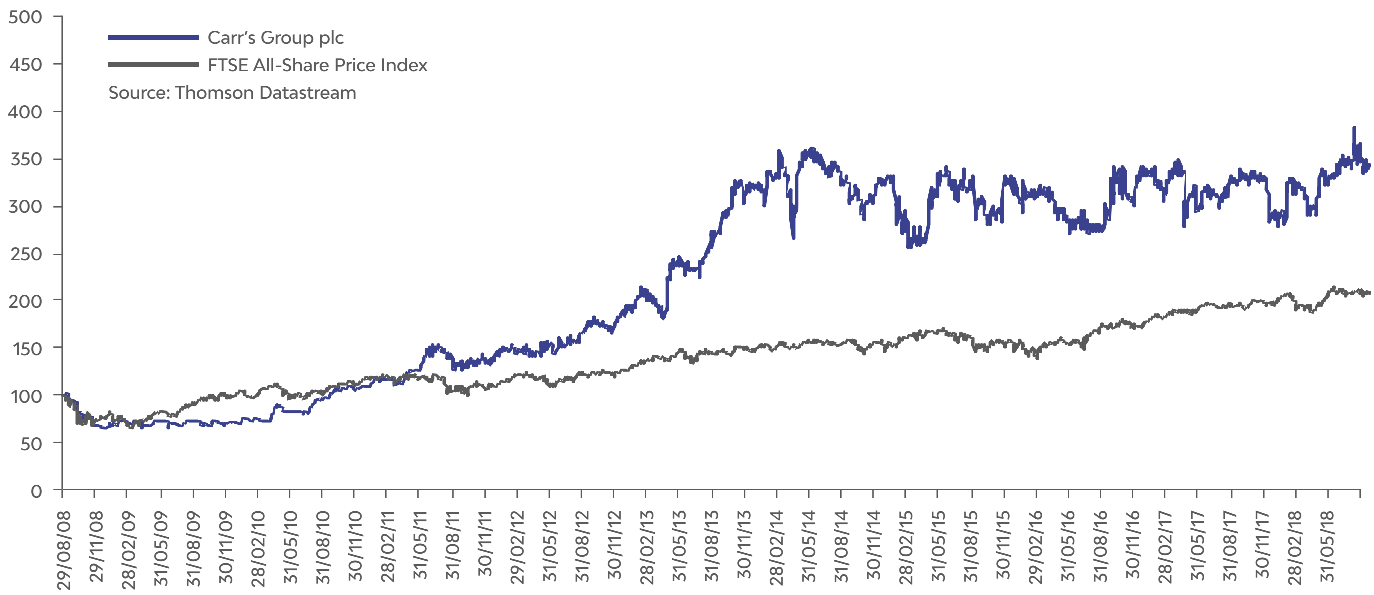
TOTAL PENSION ENTITLEMENTS (AUDITED)

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	–	41
Neil Austin	67	30	–

Each Executive Director has the right to participate in the Carr's Group 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



Remuneration Committee Report (continued)

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

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)	Unvested deferred bonus shares	% of share-holding guideline achieved*
Executive Directors						
Tim Davies	150,354	180,814	405,557	16,965	43,312	69.0%
Neil Austin	131,329	133,802	300,113	16,965	35,051	77.0%
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

*Excluding all unvested shares.

ASSESSING PAY AND PERFORMANCE

In the table below 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.

	2014 Tim Davies	2015 Tim Davies	2016 Tim Davies	2017 Tim Davies	2018 Tim Davies
Single figure of total remuneration	559	911	531	308	861
Annual variable element (actual award versus maximum opportunity)	100%	100%	55%	0%	100%
Long-term incentive (vesting versus maximum opportunity)	N/A	100%	37.45%	0%	100%

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 table opposite.

PAYMENTS TO PAST DIRECTORS (AUDITED INFORMATION)

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

PAYMENTS FOR LOSS OF OFFICE (AUDITED INFORMATION)

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

PERFORMANCE SHARES (AUDITED INFORMATION)

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

	2015/16 award	2016/17 award	2017/18 award
Tim Davies	180,814	185,159	220,398
Neil Austin	133,802	137,018	163,095

CHANGE IN CHIEF EXECUTIVE'S REMUNERATION

In the table below we show the percentage change in the Chief Executive's remuneration between 2017 and 2018 financial years compared to the other employees.

	Tim Davies	Other UK employees
Base pay	2.5%	2.5%
Benefits	0%	0%
Annual bonus	100%*	21.9%

*No bonus was payable in the 2017 financial year.

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.

	2018 £'000	2017 £'000	% change
Employee costs	43,251	36,520	18.4
Dividends paid to shareholders	3,770	3,471	8.6

EXTERNAL APPOINTMENTS

The Executive Directors did not receive any remuneration in respect of any external appointments in 2017/18.

IMPLEMENTATION OF THE POLICY IN 2018/19

For 2018, 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. 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.

Salary increases were awarded to the Executive Directors effective 1 September 2018 of 2.5%. This is consistent with the rest of the workforce.

EXTERNAL ADVISORS

During the year, New Bridge Street (a part of Aon plc) was appointed as an external consultant to advise the Committee. The total fees incurred in FY2017/18 amounted to £19,980. Such fees were largely attributed to services provided in relation to changes to remuneration policy which were approved at the January 2018 AGM. 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.

2018 AGM

At our AGM in January 2018, the Committee's Annual Report on Remuneration received a 99.8% vote in favour (48,320,745 votes), with 0.1% against (93,548 votes) and 0.1% withheld (73,308 votes). The Directors' Remuneration Policy, which was approved at that AGM, received a 99.7% vote in favour (48,274,652 votes), with 0.2% against (138,890 votes) and 0.1% withheld (74,059 votes).

By Order of the Board

IAN WOOD
Chairman of the Remuneration Committee
19 November 2018

Nominations Committee Report

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

CHRIS HOLMES
CHAIR OF THE NOMINATIONS COMMITTEE

INTRODUCTION

The Nominations Committee has an important role to play in ensuring that the Board has the right balance of experience and skills to develop and support the Group's strategy. Its primary responsibility is the nomination of suitable candidates to fill vacancies on the Board. This involves careful planning for timely and smooth succession. This year the Committee has been active in developing its succession strategies for both Board members and senior management across the Group.

COMPOSITION AND CONSTITUTION

The Nominations Committee comprises the Chairman of the Company and all other 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;
- the structure, size, composition and diversity of the Board, its committees and senior management across the Group;
- the Group's talent management, training and development programmes; and
- the FRC's Consultation on Proposed Changes to the Corporate Governance Code.

Since 1 September 2018, the Nominations Committee has also considered the Corporate Governance Code 2018, which was published on 16 July 2018 and will apply to the Group from September 2019. The Nominations Committee will continue to evaluate the effect of the changes introduced by the 2018 Code during the course of the current financial year.

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.

BOARD REVIEW

In 2017, 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.

During 2018, the Board conducted an internal review building upon the 2017 external review. Similarly to the 2017 review, the internal review placed particular emphasis upon the appropriateness and effectiveness of the Board together with its Committees and upon the continued independence of the Non-Executive Directors. That review concluded that the Board and its Committees are indeed appropriately constituted, and that John Worby, Ian Wood and Alistair Wannop remain independent.

SUCCESSION PLANNING AND DEVELOPMENT

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.

Both 2017 and 2018 represented years of significant change in senior management across the Group. In our Engineering Division, we appointed a Divisional Managing Director to oversee global Engineering operations and strengthened the management team in our UK Manufacturing business. We also oversaw the planned succession of the management team in our USA Engineering business following the acquisition of NuVision in 2017. In our Agriculture division, we saw a number of significant changes due to the retirement of key personnel. In particular, we oversaw the succession of the Managing Directors in each of our UK feed blocks business, our USA feed blocks business and our joint venture feed blocks business in Germany. We are pleased to report that all of the above succession has proceeded smoothly, and that our new management teams have settled in very well.

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 company has a strict equal opportunities policy and ensures that appropriate consideration is given to diversity in determining the requirements of the Group 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.

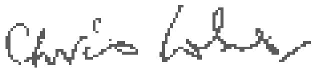
RE-ELECTION

At the Annual General Meeting on 8 January 2019, 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 Company.

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 DL
Chair of the Nominations Committee
19 November 2018

Directors' Report

The Directors submit their report and the audited accounts of the Company for the year ended 1 September 2018.

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.

	2018	2017
First Interim dividend per share paid on 21 May 2018	**1.075p**	0.95p
Second Interim dividend per share paid on 5 October 2018	**1.075p**	0.95p
Final dividend per share proposed	**2.350p**	2.10p

Subject to approval at the Annual General Meeting, the final dividend will be paid on 11 January 2019 to members on the register at the close of business on 30 November 2018. Shares will be ex-dividend on 29 November 2018.

The Group profit from continuing activities before taxation was £15.5 million (2017: £10.0 million). After taxation charge of £1.9 million (2017: £1.7 million), the profit for the year is £13.6 million (2017: £8.3 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 25 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 pages 22-25.

ENVIRONMENT

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

POLITICAL AND CHARITABLE DONATIONS

During the period ended 1 September 2018 the Group contributed £28,800 (2017: £26,300) 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 (2017: £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 26 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 8 January 2019, is limited to £761,687.91 which is equal to 33 percent of the nominal value of the issued share capital on 13 November 2017. 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 8 January 2019.

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 £114,253.30, representing 5 percent of the Company's issued share capital as at 13 November 2017. This authority will expire at the end of the Annual General Meeting to be held on 8 January 2019.

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 9,140,264 Ordinary shares being 10 per cent of the Company's issued share capital at 13 November 2017. 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 8 January 2019. 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 set out in the table above.

	At 1 September 2018 Ordinary Shares	At 2 September 2017 Ordinary Shares
T J Davies	150,354	150,354
N Austin	131,329	116,422
C N C Holmes	778,000	778,000
A G M Wannop	22,610	22,610
J G Worby	25,000	25,000
I Wood	10,000	10,000

All the above interests are beneficial. There have been no other changes to the above interests in the period from 1 September 2018 to 16 November 2018.

To enable the vesting of shares under the Group's long term incentive plan, on 16 November 2018 a total of 520,315 ordinary shares of 2.5 pence each were held in treasury.

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 8 January 2019 will be 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.

MAJOR SHAREHOLDERS

The Company has been informed of the interests set out in the table below at 16 November 2018 in the 91,410,652 ordinary shares of the Company (excluding treasury shares), as required by the Companies Act 2006.

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.

Shareholder	Shares	% issued share capital
Heygate & Sons Limited	12,652,870	13.84%
BBHISL Nominees Limited	4,270,320	4.67%
HSBC Global Custody Nominee (UK) Limited	2,968,940	3.25%
Nortrust Nominees Limited	2,952,628	3.23%
Rathbone Nominees Limited	2,864,666	3.13%

Directors' Report (continued)

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. 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 United Kingdom 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 are fair, balanced and understandable and provide the information necessary for shareholders to assess the 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 shown 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 set out 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
19 November 2018

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 1 September 2018 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (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 and Accounts (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 1 September 2018; the Consolidated income statement and Consolidated and Company statements of comprehensive income, the Consolidated and Company statements of cash flows, and the Consolidated and Company statements of changes in equity for the year 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.

We have provided no non-audit services to the Group or the Company in the period from 3 September 2017 to 1 September 2018.

OUR AUDIT APPROACH

Overview

- Overall Group materiality: £825,000 (2017: £565,000), based on 5% of profit before tax and before amortisation of acquired intangible assets and non-recurring items.
- Overall Company materiality: £400,000 (2017: £400,000), based on 0.5% of total assets.

- We identified seven reporting units within the Agriculture and Engineering divisions alongside the Company, which in our view required an audit of their complete financial information. Four of these reporting units were deemed financially significant and the other four 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.
- Defined benefit pension scheme surplus.
- Receivable 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.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industries in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Company financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules, Pensions legislation, UK tax legislation and equivalent local laws and regulations applicable to significant component teams. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with and reports to the regulators, review of correspondence with legal advisors, enquiries of management, review of significant component auditors' work and review of internal audit reports in so far as they related to the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and 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 The Group has a goodwill balance in respect of the historic acquisitions. The Directors' assessment of the 'value in use' of the Cash Generating Unit involves 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 FY18 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 10 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 £70.6m and post-retirement liabilities of £60.5m. 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.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
RECEIVABLE 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 Long term contract accounting is inherently judgemental as assumptions are made about future costs and events at each balance sheet date. There is a 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 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 Engineering GmbH, a German subsidiary which operates within the engineering market, has also been selected as a full scope component for this reason, as has Animal Feed Supplement Inc., a US subsidiary which operates within the Agriculture division. 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 and NuVision Engineering Inc. have also been selected as full scope components 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, a joint venture 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 Engineering GmbH, 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:

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 £185,000 and £475,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

	Group financial statements	Company financial statements
Overall materiality	£825,000 (2017: £565,000).	£400,000 (2017: £400,000).
How we determined it	5% of profit before tax and before amortisation of acquired intangible assets 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 and before amortisation of acquired intangible assets 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.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £41,250 (Group audit) (2017: £28,250) and £20,000 (Company audit) (2017: £20,000) 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 year ended 1 September 2018 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 pages 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*)

Independent Auditors' Report to the members of Carr's Group plc (continued)

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 were appointed by the members 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 110 years, covering the years ended 31 March 1909 to 1 September 2018. Following a tender, new auditors will be appointed for the next financial period.

Bill Macleod

BILL MACLEOD
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
Newcastle upon Tyne
19 November 2018

Consolidated Income Statement For the year ended 1 September 2018

	Notes	2018 £'000	(Restated)[2] 2017 £'000
Continuing operations			
Revenue	2	**403,192**	346,224
Cost of sales		**(349,864)**	(307,543)
Gross profit		**53,328**	38,681
Distribution costs		**(18,950)**	(16,391)
Administrative expenses		**(21,188)**	(14,413)
Share of post-tax results of associates		**1,634**	1,609
Share of post-tax results of joint ventures		**1,581**	1,204
Adjusted[1] operating profit	2	**17,464**	12,091
Amortisation of acquired intangible assets and non-recurring items	4	**(1,059)**	(1,401)
Operating profit	2, 3	**16,405**	10,690
Finance income	6	**358**	176
Finance costs	6	**(1,261)**	(864)
Adjusted[1] profit before taxation	2	**16,561**	11,403
Amortisation of acquired intangible assets and non-recurring items	4	**(1,059)**	(1,401)
Profit before taxation	2	**15,502**	10,002
Taxation	7	**(1,855)**	(1,707)
Profit for the year		**13,647**	8,295
Profit attributable to:			
Equity shareholders		**11,892**	7,005
Non-controlling interests		**1,755**	1,290
		13,647	8,295
Earnings per ordinary share (pence)			
Basic	9	**13.0**	7.7
Diluted	9	**12.7**	7.6

[1] Adjusted results are after adding back amortisation of acquired intangible assets and non-recurring items including acquisition costs.
[2] Restated for the inclusion of share of post-tax results of associates and joint ventures within operating profit. The basis of accounting policy on page 61 provides further details.

Consolidated and Company Statements of Comprehensive Income For the year ended 1 September 2018

	Notes	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Profit for the year		**13,647**	8,295	**2,541**	3,349
Other comprehensive income/(expense)					
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange translation (losses)/gains arising on translation of overseas subsidiaries		**(505)**	1,835	**–**	–
Net investment hedges		**111**	(70)	**–**	–
Taxation (charge)/credit on net investment hedges		**(21)**	14	**–**	–
Items that will not be reclassified subsequently to profit or loss:					
Actuarial gains on retirement benefit asset/obligation:					
– Group	25	**4,836**	4,951	**4,836**	4,951
– Share of associate		**1,194**	1,070	**–**	–
Taxation charge on actuarial gains on retirement benefit asset/obligation:					
– Group	17	**(822)**	(842)	**(822)**	(842)
– Share of associate		**(203)**	(211)	**–**	–
Other comprehensive income for the year, net of tax		**4,590**	6,747	**4,014**	4,109
Total comprehensive income for the year		**18,237**	15,042	**6,555**	7,458
Total comprehensive income attributable to:					
Equity shareholders		**16,482**	13,752	**6,555**	7,458
Non-controlling interests		**1,755**	1,290	**–**	–
		18,237	15,042	**6,555**	7,458

Consolidated and Company Balance Sheets

As at 1 September 2018 (Company Number 00098221)

		Group		Company	
	Notes	2018 £'000	(Restated) 2017 £'000	2018 £'000	2017 £'000
Assets					
Non-current assets					
Goodwill	10	**24,272**	24,293	**—**	—
Other intangible assets	10	**2,223**	2,266	**328**	—
Property, plant and equipment	11	**38,484**	37,149	**155**	—
Investment property	12	**170**	176	**—**	—
Investment in subsidiary undertakings	13,16	**—**	—	**26,561**	26,192
Investment in associates	13,14	**13,129**	11,443	**245**	245
Interest in joint ventures	13,15	**8,004**	6,590	**272**	272
Other investments	13	**74**	73	**—**	—
Financial assets					
– Non-current receivables	19	**21**	444	**15,405**	18,007
Retirement benefit asset	25	**10,146**	5,209	**10,146**	5,209
Deferred tax assets	17	**—**	—	**233**	59
		96,523	87,643	**53,345**	49,984
Current assets					
Inventories	18	**42,371**	37,023	**—**	—
Trade and other receivables	19	**67,516**	59,723	**22,515**	21,391
Current tax assets	20	**119**	297	**1,360**	464
Financial assets					
– Derivative financial instruments	24	**26**	13	**—**	—
– Cash and cash equivalents	21	**24,632**	23,887	**4,955**	8,494
		134,664	120,943	**28,830**	30,349
Total assets		**231,187**	208,586	**82,175**	80,333
Liabilities					
Current liabilities					
Financial liabilities					
– Borrowings	23	**(34,994)**	(17,060)	**(18,839)**	(7,154)
– Derivative financial instruments	24	**—**	(18)	**—**	—
Trade and other payables	22	**(64,290)**	(56,181)	**(2,461)**	(1,537)
Current tax liabilities		**(175)**	(673)	**—**	(85)
		(99,459)	(73,932)	**(21,300)**	(8,776)
Non-current liabilities					
Financial liabilities					
– Borrowings	23	**(4,997)**	(20,966)	**(3,564)**	(19,018)
Deferred tax liabilities	17	**(3,981)**	(4,010)	**(1,725)**	(886)
Other non-current liabilities	22	**(1,784)**	(3,755)	**—**	—
		(10,762)	(28,731)	**(5,289)**	(19,904)
Total liabilities		**(110,221)**	(102,663)	**(26,589)**	(28,680)
Net assets		**120,966**	105,923	**55,586**	51,653
Shareholders' equity					
Share capital	26	**2,285**	2,285	**2,285**	2,285
Share premium		**9,141**	9,130	**9,141**	9,130
Other reserves		**5,888**	5,265	**1,537**	424
Retained earnings:					
At beginning of the year		**74,802**	81,540	**39,814**	51,217
Profit attributable to the equity shareholders		**11,892**	7,005	**2,541**	3,349
Other changes in retained earnings		**1,273**	(13,743)	**268**	(14,752)
		87,967	74,802	**42,623**	39,814
Total shareholders' equity		**105,281**	91,482	**55,586**	51,653
Non-controlling interests		**15,685**	14,441	**—**	—
Total equity		**120,966**	105,923	**55,586**	51,653

The financial statements set out on pages 55-103 were approved by the Board on 19 November 2018 and signed on its behalf by:

Tim J Davies **Neil Austin**

Consolidated Statement of Changes in Equity

For the year ended 1 September 2018

	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 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	—	—	—	(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
At 3 September 2017	**2,285**	**9,130**	**—**	**386**	**4,674**	**205**	**74,802**	**91,482**	**14,441**	**105,923**
Profit for the year	—	—	—	—	—	—	11,892	11,892	1,755	13,647
Other comprehensive (expense)/income	—	—	—	—	(415)	—	5,005	4,590	—	4,590
Total comprehensive (expense)/income	—	—	—	—	(415)	—	16,897	16,482	1,755	18,237
Dividends paid	—	—	—	—	—	—	(3,770)	(3,770)	(588)	(4,358)
Equity settled share-based payment transactions	—	—	—	1,041	—	—	8	1,049	76	1,125
Excess deferred taxation on share-based payments	—	—	—	—	—	—	27	27	1	28
Allotment of shares	—	11	—	—	—	—	—	11	—	11
Transfer	—	—	—	—	—	(3)	3	—	—	—
At 1 September 2018	**2,285**	**9,141**	**—**	**1,427**	**4,259**	**202**	**87,967**	**105,281**	**15,685**	**120,966**

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 £8,000 (2017: £766,000) was transferred from the equity compensation reserve to retained earnings in respect of options exercised in the year.

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.

Company Statement of Changes in Equity

For the year ended 1 September 2018

	Share Capital £'000	Share Premium £'000	Treasury Share Reserve £'000	Equity Compensation Reserve £'000	Retained Earnings £'000	Total Equity £'000
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	—	—	—	(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
At 3 September 2017	**2,285**	**9,130**	**—**	**424**	**39,814**	**51,653**
Profit for the year	**—**	**—**	**—**	**—**	**2,541**	**2,541**
Other comprehensive income	**—**	**—**	**—**	**—**	**4,014**	**4,014**
Total comprehensive income	**—**	**—**	**—**	**—**	**6,555**	**6,555**
Dividends paid	**—**	**—**	**—**	**—**	**(3,770)**	**(3,770)**
Equity settled share-based payment transactions	**—**	**—**	**—**	**1,113**	**2**	**1,115**
Excess deferred taxation on share-based payments	**—**	**—**	**—**	**—**	**22**	**22**
Allotment of shares	**—**	**11**	**—**	**—**	**—**	**11**
At 1 September 2018	**2,285**	**9,141**	**—**	**1,537**	**42,623**	**55,586**

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 £2,000 (2017: £618,000) was transferred from the equity compensation reserve to retained earnings and £9,000 (2017: £201,000) 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 1 September 2018

	Notes	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Cash flows from operating activities					
Cash generated from/(used in) continuing operations	29	**14,980**	15,094	**(2,124)**	(2,939)
Interest received		**226**	175	**1,711**	1,855
Interest paid		**(1,210)**	(896)	**(513)**	(323)
Tax (paid)/recovered		**(2,511)**	(1,179)	**(473)**	551
Net cash generated from/(used in) operating activities		**11,485**	13,194	**(1,399)**	(856)
Cash flows from investing activities					
Acquisition of subsidiaries (net of overdraft/cash acquired)		**(1,522)**	(12,640)	**—**	—
Contingent/deferred consideration paid		**(2,617)**	(549)	**—**	—
Net costs of disposal of associate		**(90)**	—	**—**	—
Dividends received from subsidiaries		**—**	—	**4,625**	2,303
Net receipt/(payment) of loans to subsidiaries		**—**	—	**787**	(8,037)
Investment in subsidiaries		**—**	—	**—**	(8,759)
Dividend received from associate and joint ventures		**704**	1,212	**588**	1,097
Loan repaid by associates		**1,008**	22	**—**	—
Other loans		**59**	80	**—**	—
Purchase of intangible assets		**(325)**	(371)	**(328)**	—
Proceeds from sale of property, plant and equipment		**189**	691	**—**	—
Purchase of property, plant and equipment		**(4,488)**	(2,854)	**(229)**	—
Purchase of own shares held in trust		**—**	(4)	**—**	(4)
Redemption of preference shares in joint venture	13	**20**	150	**—**	—
Net cash (used in)/generated from investing activities		**(7,062)**	(14,263)	**5,443**	(13,400)
Cash flows from financing activities					
Proceeds from issue of ordinary share capital	26	**11**	24	**11**	24
New bank loans and movement on RCF		**(2,076)**	6,000	**(2,076)**	6,000
Finance lease principal repayments		**(997)**	(846)	**—**	—
Repayment of borrowings		**(3,241)**	(3,110)	**(1,750)**	(1,758)
Increase/(decrease) in other borrowings		**8,934**	(2,804)	**—**	—
Dividends paid to shareholders	8	**(3,770)**	(19,467)	**(3,770)**	(19,467)
Dividends paid to related party		**(588)**	(245)	**—**	—
Net cash used in financing activities		**(1,727)**	(20,448)	**(7,585)**	(15,201)
Effects of exchange rate changes		**(305)**	344	**2**	6
Net increase/(decrease) in cash and cash equivalents		**2,391**	(21,173)	**(3,539)**	(29,451)
Cash and cash equivalents at beginning of the year		**18,614**	39,787	**8,494**	37,945
Cash and cash equivalents at end of the year		**21,005**	18,614	**4,955**	8,494

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 prior year consolidated income statement has been restated for the reclassification to operating profit of the share of post-tax results of the associates and joint ventures. The inclusion of these results in operating profit better reflects the Board's view that these businesses are integral to the Group's operations and strategy. Comparatives at 2 September 2017 have been restated by £2,813,000, increasing operating profit with no impact to profit before tax.

The prior year consolidated balance sheet has been restated for the finalisation of the fair value acquisition accounting for NuVision Engineering, Inc which was acquired on 4 August 2017. See note 36 for details of the restatement. There has been no impact to net assets as at 1 September 2017.

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.

Principal Accounting Policies (continued)

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 1 September 2018 and 2 September 2017 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 25 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 – 25 years or indefinite 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.

Principal Accounting Policies (continued)

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 3 September 2017 the following became effective and were adopted by the Group and Company:

Amendment to IAS 7 on disclosure initiative
Amendment to IAS 12 on recognition of deferred tax assets for unrealised losses
Annual improvements 2014-2016 – IFRS 12 'Disclosure of interests in other entities' regarding clarification of the scope of the standard

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

IFRIC 23 Uncertainty over income tax treatments
IFRIC 22 Foreign currency transactions and advance consideration
Amendments to IAS 28 'investment in associates', on long term interests in associates and joint ventures
Amendment to IAS 40 'Investment property' relating to transfers of investment property
Amendments to IFRS 2 Share-based payments on clarifying share based payment transactions
Amendments to IFRS 4 'Insurance contracts' regarding the implementation of IFRS 9 'Financial instruments'
IFRS 9 'Financial instruments'
Amendment to IFRS 9 Financial instruments on prepayment features with negative compensation
IFRS 15 'Revenue from contracts with customers'
Amendment to 'Revenue from contracts with customers' – clarifications
IFRS 16 'Leases'
IFRS 17 'Insurance contracts'

It is considered that the above amendments and interpretations, 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 financial impact of IFRS 9 is not material.

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.

IFRS 15 introduces the requirement to identify the separate performance obligations within a contract, allocate the revenue to those performance obligations and to recognise that revenue when the performance obligations has been satisfied. Following a review of contracts within the Engineering businesses, including whether there is an enforceable right to payment for performance completed to date within those contracts, together with reviews of controls in place over accounting practices, there will be no change to amounts previously recognised at implementation. In addition, for businesses where long term contract accounting exists, the contracts would not typically create assets with an alternative use due to their bespoke nature and design specifications tailored to the requirements of the customer, therefore revenue will still be recognised over time. There are robust controls in place to identify contracts and the performance obligations within those contracts.

A review of the impact to the Agriculture segment has concluded that there was no impact to the accounting within those businesses on transition to the new standard.

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 continues to assess the impact of the accounting changes that will be required; in particular, leases currently treated as operating leases such as 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 review to be able to quantify any financial impact from IFRS 16. However, as a broad indicator of the magnitude of the Group's operating lease commitments, note 32 shows commitments under non-cancellable operating leases at 1 September 2018 of £11,071,000.

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 25 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 was identified in both the current and prior year (note 10).

Provision for impairment of trade receivables
The financial statements include a provision for impairment of trade receivables (note 19) 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 £2,541,000 (2017: £3,349,000).

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 1 September 2018 is as follows:

	Agriculture £'000	Engineering £'000	Group £'000
Total segment revenue	359,620	43,618	403,238
Inter segment revenue	(12)	(34)	(46)
Revenue from external customers	359,608	43,584	403,192
Adjusted[3] EBITDA[4]	12,751	6,000	18,751
Depreciation, amortisation and profit/(loss) on disposal of property, plant and equipment	(2,769)	(1,733)	(4,502)
Share of post-tax results of associates and joint ventures	3,396	(181)	3,215
Adjusted[3] operating profit	13,378	4,086	17,464
Amortisation of acquired intangible assets and non-recurring items	(386)	(673)	(1,059)
Operating profit	12,992	3,413	16,405
Finance income			358
Finance costs			(1,261)
Adjusted[3] profit before taxation			16,561
Amortisation of acquired intangible assets and non-recurring items			(1,059)
Profit before taxation			15,502

[3] Adjusted results are after adding back amortisation of acquired intangible assets and non-recurring items including acquisition costs (note 4).

[4] Earnings before interest, tax, depreciation, amortisation, profit/(loss) on the disposal of property, plant and equipment and share of post-tax results of associates and joint ventures.

2 Segmental information (continued)

Assets

	Agriculture £'000	Engineering £'000	Group £'000
Segment gross assets	**159,305**	**71,882**	**231,187**

The segmental information for the year ended 2 September 2017 (restated) 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
Adjusted[5] EBITDA[6]	11,302	2,084	13,386
Depreciation, amortisation and profit/(loss) on disposal of property, plant and equipment	(2,690)	(1,418)	(4,108)
Share of post-tax results of associates and joint ventures	2,834	(21)	2,813
Adjusted[5] operating profit	11,446	645	12,091
Amortisation of acquired intangible assets and non-recurring items	(630)	(771)	(1,401)
Operating profit	10,816	(126)	10,690
Finance income			176
Finance costs			(864)
Adjusted[5] profit before taxation			11,403
Amortisation of acquired intangible assets and non-recurring items			(1,401)
Profit before taxation			10,002

[5] Adjusted results are after adding back amortisation of acquired intangible assets and non-recurring items including acquisition costs (note 4).

[6] Earnings before interest, tax, depreciation, amortisation, profit/(loss) on the disposal of property, plant and equipment and share of post-tax results of associates and joint ventures.

Assets

	Agriculture £'000	Engineering £'000	Group £'000
Segment gross assets (restated)	136,545	72,041	208,586

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:

	2018 £'000	2017 £'000
UK	**341,905**	296,905
Europe	**17,201**	14,666
USA	**42,897**	34,457
New Zealand	**1,178**	196
Other	**11**	—
	403,192	346,224

Notes to the Financial Statements (continued)

2 Segmental information (continued)

Non-current assets

	2018 UK £'000	2018 Europe £'000	2018 USA £'000	2018 New Zealand £'000	2018 Total £'000	(Restated) 2017 UK £'000	(Restated) 2017 Europe £'000	(Restated) 2017 USA £'000	(Restated) 2017 New Zealand £'000	(Restated) 2017 Total £'000
Goodwill	9,856	5,946	8,470	—	24,272	9,714	6,081	8,498	—	24,293
Other intangible assets	430	447	1,346	—	2,223	241	491	1,534	—	2,266
Property, plant and equipment	22,524	8,463	7,448	49	38,484	21,764	7,302	8,055	28	37,149
Investment property	170	—	—	—	170	176	—	—	—	176
Investment in associates	13,129	—	—	—	13,129	10,911	—	532	—	11,443
Interest in joint ventures	2,101	2,644	3,259	—	8,004	1,771	2,175	2,644	—	6,590
Other investments	50	1	23	—	74	50	—	23	—	73
Non-current receivables	—	—	21	—	21	50	—	394	—	444
Retirement benefit asset	10,146	—	—	—	10,146	5,209	—	—	—	5,209
	58,406	17,501	20,567	49	96,523	49,886	16,049	21,680	28	87,643

Major customers

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

3 Operating profit

	2018 £'000	2017 £'000
Group operating profit is stated after (crediting)/charging:		
Amortisation of grants	(54)	(53)
Loss on disposal of property, plant and equipment	19	215
Depreciation of property, plant and equipment	4,372	4,093
Depreciation of owned investment property	6	6
Amortisation of intangible assets	397	124
Goodwill impairment (note 4)	516	1,700
Business combination expenses (note 4)	251	1,349
Release of contingent consideration (note 4)	—	(2,090)
Restructuring costs (note 4)	—	112
Foreign exchange losses/(gains)	178	(152)
Derivative financial instruments gains	(31)	(17)
Operating lease charges	1,953	1,446
Research and development expense	1,575	1,258
Auditors' remuneration:		
Audit services (Company £16,391; 2017: £15,914)	78	77
The auditing of accounts of subsidiaries of the Company pursuant to legislation (including overseas)	169	119
Total audit services	247	196
Other non-audit services	—	10
Total non-audit services	—	10
Included within Group operating profit is the following in respect of investment property leased to, and occupied by, external parties:		
Rental income	(44)	(41)
Operating expenses	48	42
	4	1

4 Amortisation of acquired intangible assets and non-recurring items

	2018 £'000	2017 £'000
Amortisation of acquired intangible assets	**292**	124
Goodwill impairment	**516**	1,700
Business combination expenses	**251**	1,349
Release of contingent consideration	**—**	(2,090)
Restructuring costs	**—**	112
Loss on property disposal	**—**	206
	1,059	1,401

An impairment of £516,000 was recognised in the year against the carrying value of goodwill in respect of the Bendalls Engineering business (note 10).

Business combination expenses relate to acquisition costs incurred in the period as well as contingent consideration in relation to prior year acquisitions of Phoenix Feeds Limited and the business and certain assets of Mortimer Feeds Limited which is explained further below.

Phoenix Feeds Limited was acquired on 1 June 2016. The consideration paid included £490,000 of contingent consideration 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 53 weeks ended 3 September 2016. It is instead being recognised in the income statement over a two year period with £184,000 (2017: £306,000) recognised in the current year. Given the nature of the payment it has been recognised as a non-recurring item.

Mortimer Feeds was acquired on 5 June 2017. The consideration paid included £30,000 of contingent consideration 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 prior year. It is instead being recognised in the income statement over a one year period with £30,000 (2017: £nil) recognised in the current year. Given the nature of this payment it has been recognised as a non-recurring item.

The goodwill impairment and release of contingent consideration recognised in the prior year relate to the acquisition of Chirton Engineering Limited which was acquired in year ended 2014.

Restructuring costs in the prior year comprise redundancy costs.

The loss on property disposal recognised in the prior year was in respect of the disposal of a property that was no longer required following the relocation of one of the Group's Agricultural branches.

5 Staff costs

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

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Wages and salaries	**36,061**	30,543	**2,463**	1,286
Social security costs	**3,893**	3,458	**349**	276
Pension costs	**2,172**	2,034	**220**	277
Share based payments	**1,125**	485	**746**	348
	43,251	36,520	**3,778**	2,187

Included within pension costs for both Group and Company is a charge of £24,000 (2017: £59,000) in respect of the defined benefit pension scheme (note 25).

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

	Group		Company	
	2018 Number	2017 Number	2018 Number	2017 Number
Sales, office and management	**532**	507	**27**	26
Manufacture and distribution	**466**	429	**—**	—
	998	936	**27**	26

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.

Notes to the Financial Statements (continued)

6 Finance income and finance costs

	2018 £'000	2017 £'000
Finance income		
Bank interest	145	127
Net interest on the net defined benefit retirement asset (note 25)	125	6
Interest on loan with associate	71	6
Other interest	17	37
Total finance income	358	176
Finance costs		
Interest payable on bank overdrafts	(177)	(115)
Interest payable on bank loans and other borrowings	(832)	(551)
Interest payable on finance leases	(75)	(73)
Other interest	(177)	(125)
Total finance costs	(1,261)	(864)

7 Taxation

(a) Analysis of the charge in the year

	2018 £'000	2017 £'000
Current tax:		
UK corporation tax		
Current year	1,352	887
Adjustment in respect of prior years	(228)	(144)
Foreign tax		
Current year	1,549	591
Adjustment in respect of prior years	—	(8)
Group current tax	2,673	1,326
Deferred tax:		
Origination and reversal of timing differences		
Current year	(796)	442
Adjustment in respect of prior years	(22)	(61)
Group deferred tax (note 17)	(818)	381
Tax on profit from ordinary activities	1,855	1,707

7 Taxation (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2017: lower) than the rate of corporation tax in the UK of 19% (2017: 19.58%). The differences are explained below:

	2018 £'000	2017 £'000
Profit before taxation	**15,502**	10,002
Tax at 19% (2017: 19.58%)	**2,945**	1,958
Effects of:		
Tax effect of share of results of associates and joint ventures	**(611)**	(551)
Tax effect of expenses that are not allowable in determining taxable profit	**300**	494
Tax effect of non-taxable income	**(310)**	(418)
Effects of different tax rates of foreign subsidiaries	**227**	473
Effects of changes in deferred tax rates	**(490)**	(36)
Unrecognised deferred tax on losses	**44**	—
Adjustment in respect of prior years	**(250)**	(213)
Total tax charge for the year	**1,855**	1,707

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

The tax effect of non-taxable income includes the effect of income within the patent box regime and in respect of the prior year the release of contingent consideration in respect of the Chirton Engineering acquisition in 2014 (note 4).

The effect of changes in deferred tax rates in the current year includes the effect to deferred tax balances following the reduction in US Federal tax rates during the year.

(c) Factors affecting future tax charges

The main rate of UK corporation tax has been reduced from 19% to 17% with effect from 1 April 2020. This rate reduction was 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 Dividends

Equity	2018 £'000	2017 £'000
Second interim paid for the year ended 2 September 2017 of 0.95p per 2.5p share (2016: 0.95p)	**868**	866
Special dividend of 17.54p per 2.5p share	**—**	15,996
Final dividend for the year ended 2 September 2017 of 2.1p per 2.5p share (2016: 1.9p)	**1,919**	1,736
First interim paid for the year ended 1 September 2018 of 1.075p per 2.5p share (2017: 0.95p)	**983**	869
	3,770	19,467

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

Since the year end a second interim dividend of £982,583, being 1.075p per share, has been paid. The financial statements do not reflect the dividend payable.

The proposed final dividend for the year ended 1 September 2018 to be considered by shareholders at the Annual General Meeting is £2,148,150 being 2.35p per share, making a total for the year of 4.5p (2017: excluding the special dividend 4.0p). Shares held in treasury do not carry entitlement to a dividend. The financial statements do not reflect this proposed final dividend as payable.

Notes to the Financial Statements (continued)

9 Earnings per ordinary share

Earnings per share are calculated by reference to a weighted average of 91,402,338 shares (2017: 91,355,427) in issue during the year.

Amortisation of acquired intangible assets and non-recurring items that are charged or credited to profit do not relate to the underlying profitability of the Group. The Board believes adjusted profit before these items provides a useful measure of business performance. Therefore an adjusted earnings per share is presented as follows:

	2018 Earnings £'000	2018 Earnings per share pence	2017 Earnings £'000	2017 Earnings per share pence
Earnings per share – basic	**11,892**	**13.0**	7,005	7.7
Amortisation and non-recurring items:				
Amortisation of acquired intangible assets	**292**	**0.3**	124	0.1
Goodwill impairment	**516**	**0.6**	1,700	1.9
Business combination expenses	**251**	**0.3**	1,349	1.5
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	**(60)**	**(0.1)**	(88)	(0.1)
Non-controlling interest in the above	**(145)**	**(0.2)**	(175)	(0.2)
Earnings per share – adjusted	**12,746**	**13.9**	8,143	8.9

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 27.

	2018 Earnings £'000	2018 Weighted average number of shares	2018 Earnings per share pence	2017 Earnings £'000	2017 Weighted average number of shares	2017 Earnings per share pence
Earnings per share	**11,892**	**91,402,338**	**13.0**	7,005	91,355,427	7.7
Effect of dilutive securities:						
Share save scheme	**—**	**405,079**	**(0.1)**	—	227,605	—
Long term incentive plan	**—**	**1,631,190**	**(0.2)**	—	542,288	(0.1)
Diluted earnings per share	**11,892**	**93,438,607**	**12.7**	7,005	92,125,320	7.6

	2018 Adjusted earnings £'000	2018 Weighted average number of shares	2018 Earnings per share pence	2017 Adjusted earnings £'000	2017 Weighted average number of shares	2017 Earnings per share pence
Diluted adjusted earnings per share	**12,746**	**93,438,607**	**13.6**	8,143	92,125,320	8.8

10 Goodwill and other intangible assets

	Group							Company
	(Restated) 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	Software £'000
Cost								
At 3 September 2016	11,765	1,316	240	448	—	691	14,460	—
Exchange differences	320	—	7	50	4	63	444	—
Subsidiaries/businesses acquired	14,233	36	216	1,195	232	5	15,917	—
Additions	—	—	219	12	—	140	371	—
Disposals	—	(1,316)	(240)	—	—	(6)	(1,562)	—
At 2 September 2017	**26,318**	**36**	**442**	**1,705**	**236**	**893**	**29,630**	**—**
Exchange differences	**(163)**	**—**	**(7)**	**(11)**	**(1)**	**(17)**	**(199)**	**—**
Subsidiaries acquired	**658**	**53**	**—**	**—**	**—**	**—**	**711**	**—**
Additions	**—**	**—**	**95**	**6**	**—**	**224**	**325**	**199**
Transfers from group companies	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**129**
Disposals	**—**	**—**	**—**	**(1)**	**—**	**—**	**(1)**	**—**
At 1 September 2018	**26,813**	**89**	**530**	**1,699**	**235**	**1,100**	**30,466**	**328**
Accumulated amortisation and impairment								
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**	**—**
Exchange differences	**—**	**—**	**—**	**(1)**	**2**	**(13)**	**(12)**	**—**
Charge for the year	**—**	**89**	**54**	**120**	**76**	**58**	**397**	**—**
Impairment	**516**	**—**	**—**	**—**	**—**	**—**	**516**	**—**
Disposals	**—**	**—**	**—**	**(1)**	**—**	**—**	**(1)**	**—**
At 1 September 2018	**2,541**	**89**	**76**	**461**	**85**	**719**	**3,971**	**—**
Net book amount								
At 3 September 2016	11,440	—	—	155	—	131	11,726	—
At 2 September 2017	24,293	36	420	1,362	229	219	26,559	—
At 1 September 2018	**24,272**	**—**	**454**	**1,238**	**150**	**381**	**26,495**	**328**

During the year goodwill of £658,000 arose on acquisitions (note 28). An impairment of £516,000 was recognised in the year which is discussed later in this note.

During the prior 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 goodwill totalling £14,233,000 arose on acquisitions. 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.

During the prior year an impairment of £1,700,000 was recognised in respect of the goodwill related to the acquisition of Chirton Engineering Limited which was acquired in year ended 2014.

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.

Notes to the Financial Statements (continued)

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

	1 September 2018 £'000	(Restated) 2 September 2017 £'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/Pearsons profit centre	**783**	125
Carrs Billington Agriculture (Sales) Ltd – Wales profit centre	**626**	626
Carrs Billington Agriculture (Sales) Ltd – Reid and Robertson profit centre	**873**	873
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**	215
Carrs Agriculture Ltd – Scotmin profit centre	**2,068**	2,068
Animal Feed Supplement, Inc. – Silver Springs profit centre	**19**	19
Wälischmiller Engineering GmbH	**5,946**	6,081
Carr's Engineering Ltd – Bendalls Engineering profit centre	**—**	516
Carr's Engineering Ltd – Chirton profit centre	**2,526**	2,526
NuVision Engineering, Inc.	**8,451**	8,479
	24,272	24,293

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

The restatement of the prior year carrying value of NuVision Engineering, Inc. goodwill is detailed further in note 36.

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 2019, which has been approved by the Board and forecast information for the four years to August 2023 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 5.23 %– 10.82% (2017: 4.86% – 10.32%).

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.

Impairment testing on the goodwill allocated to the Bendalls Engineering profit centre showed that although business plans demonstrate the profit centre to be cash generative the headroom during stress testing was sensitive to changes in future cash flows. An impairment of £516,000 against the full carrying value of goodwill has been recognised in the consolidated income statement.

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) where they relate to acquired intangible assets.

There is no goodwill in the Company (2017: 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 £'000	Pre-tax discount rate %	Long term average annual change in cash flows %	Long term growth rate %
Cash generating unit				
NuVision Engineering, Inc.	8,451	10.82	—	2
Wälischmiller Engineering GmbH	5,946	10.82	—	2
Carr's Engineering Ltd – Chirton profit centre	2,526	10.82	8	2
Carrs Agriculture Ltd – Scotmin profit centre	2,068	5.23	9	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 46% in NuVision Engineering Inc, by 28% in Wälischmiller Engineering GmbH, by 30% in the Chirton profit centre and by 92% in the Scotmin profit centre.

11 Property, plant and equipment

	Group				Company
	Land and buildings £'000	Plant and equipment £'000	Assets in the course of construction £'000	Total £'000	Plant and equipment £'000
Cost					
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**	**—**
Exchange differences	**(166)**	**(117)**	**(9)**	**(292)**	**—**
Subsidiaries acquired	**—**	**267**	**—**	**267**	**—**
Additions	**755**	**3,163**	**1,581**	**5,499**	**—**
Transfers from group companies	**—**	**—**	**—**	**—**	**713**
Disposals	**—**	**(1,136)**	**—**	**(1,136)**	**(108)**
Reclassifications	**1,393**	**201**	**(1,091)**	**503**	**—**
At 1 September 2018	**28,225**	**45,369**	**1,682**	**75,276**	**605**
Accumulated depreciation					
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**	**—**
Exchange differences	**(11)**	**(28)**	**—**	**(39)**	**—**
Charge for the year	**823**	**3,549**	**—**	**4,372**	**15**
Transfers from group companies	**—**	**—**	**—**	**—**	**483**
Disposals	**—**	**(827)**	**—**	**(827)**	**(48)**
Reclassifications	**127**	**(127)**	**—**	**—**	**—**
At 1 September 2018	**7,372**	**29,420**	**—**	**36,792**	**450**
Net book amount					
At 3 September 2016	19,995	13,973	1,843	35,811	—
At 2 September 2017	19,810	16,138	1,201	37,149	—
At 1 September 2018	**20,853**	**15,949**	**1,682**	**38,484**	**155**

Freehold land amounting to £2,979,029 (2017: £2,938,879) has not been depreciated.

The net book amount of plant and equipment includes £3,673,849 (2017: £2,829,604) in respect of assets held under finance leases. This consists of cost of £5,351,435 (2017: £4,241,494) less accumulated depreciation of £1,677,586 (2017: £1,411,890). 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 £1,558,000 (2017: £1,613,000).

Included in the above table in respect of assets held under floating charges are assets with a net book amount of £7,507,000 (2017: £6,702,000). This excludes specific assets under legal charge and assets secured under finance leases both of which are separately disclosed above.

Notes to the Financial Statements (continued)

11 Property, plant and equipment (continued)

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

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Cost of sales	**3,594**	3,536	**—**	—
Distribution costs	**16**	—	**—**	—
Administrative expenses	**762**	557	**15**	—
	4,372	4,093	**15**	—

12 Investment property

Group	Total £'000
Cost	
At 3 September 2016, 2 September 2017 and 1 September 2018	**299**
Accumulated depreciation	
At 3 September 2016	117
Charge for the year	6
At 2 September 2017	**123**
Charge for the year	**6**
At 1 September 2018	**129**
Net book amount	
At 3 September 2016	182
At 2 September 2017	176
At 1 September 2018	**170**

The fair value of investment properties at 1 September 2018 is £360,000 (2017: £360,000). Investment properties were valued by independent professionally qualified valuers in October 2016.

There is no investment property in the Company (2017: none).

13 Investments

Group	Associates £'000	Joint ventures £'000	Other investments £'000	Total £'000
Cost				
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 result	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**
Exchange difference	**(18)**	**(34)**	**1**	**(51)**
Disposals	**(333)**	**—**	**—**	**(333)**
Redemption of preference shares	**—**	**(20)**	**—**	**(20)**
Share of post-tax result	**1,634**	**1,581**	**—**	**3,215**
Share of gains recognised directly in equity	**991**	**3**	**—**	**994**
Dividend paid by associate and joint ventures	**(588)**	**(116)**	**—**	**(704)**
At 1 September 2018	**13,129**	**8,004**	**83**	**21,216**
Accumulated provision for impairment				
At 3 September 2016, 2 September 2017 and 1 September 2018	**—**	**—**	**9**	**9**
Net book amount				
At 3 September 2016	8,667	6,257	72	14,996
At 2 September 2017	11,443	6,590	73	18,106
At 1 September 2018	**13,129**	**8,004**	**74**	**21,207**

During the prior year Mid Columbia Engineering, Inc. was brought into the Group as an associate following the acquisition of NuVision Engineering, Inc., which held 49% of the issued share capital of Mid Columbia Engineering, Inc. During the current year NuVision Engineering, Inc., disposed of its investment in Mid Columbia Engineering, Inc.

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.

Notes to the Financial Statements (continued)

13 Investments (continued)

Company	Shares in subsidiaries £'000	Associate £'000	Joint ventures £'000	Total £'000
Cost				
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**
Share based payment credit in respect of employees of subsidiary undertakings	**369**	**–**	**–**	**369**
At 1 September 2018	**31,355**	**245**	**272**	**31,872**
Accumulated provision for impairment				
At 3 September 2016, 2 September 2017 and 1 September 2018	**4,794**	**–**	**–**	**4,794**
Net book amount				
At 3 September 2016	11,478	245	272	11,995
At 2 September 2017	26,192	245	272	26,709
At 1 September 2018	**26,561**	**245**	**272**	**27,078**

Investment in subsidiaries of £14,780,000 in the prior year 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.

14 Investment in associates

The associated undertakings at 1 September 2018 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

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

The Group does not have the ability to control the financial and operating policies of its associate. The Group has a 49% shareholding and a 43% representation on the Board of Directors of Carrs Billington Agriculture (Operations) Ltd.

Associates are accounted for using the equity method.

At the year end Carrs Billington Agriculture (Operations) Ltd had capital commitments of £70,000 (2017: £308,000). No contingent liabilities exist within the associate.

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

	2018 £'000	2017 £'000
Total assets	**44,818**	39,878
Total liabilities	**(18,024)**	(16,525)
Revenues	**138,401**	115,797
Profit after tax	**3,335**	3,284

15 Interest in joint ventures

The joint ventures at 1 September 2018 are:

Group

Name	Interest held Equity %	Country of incorporation	Country of operation	Activity
Crystalyx Products GmbH	50	Germany	Germany	Manufacture of animal feed blocks
Bibby Agriculture Ltd	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 and Silloth Storage Company Ltd have a 31 December accounting year end.

The Company directly holds the interest in Crystalyx Products GmbH and Afgritech Ltd. Afgritech Ltd has 100% control of Afgritech LLC. Carrs Billington Agriculture (Sales) Ltd directly holds the interest in Bibby Agriculture Ltd. Animal Feed Supplement, Inc. directly holds the interest in Gold-Bar Feed Supplements LLC and ACC Feed Supplement LLC. Carrs Agriculture Ltd directly holds the interest in Silloth Storage Company Ltd. The preference shares in Bibby Agriculture Ltd were fully redeemed during the year.

Joint ventures are accounted for using the equity method.

At the year end the joint ventures had capital commitments of £54,000 (2017: £461,000). 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:

	2018 £'000	2017 £'000
Non-current assets	**8,195**	7,658
Current assets	**7,662**	6,343
Current liabilities	**(6,987)**	(5,200)
Non-current liabilities	**(883)**	(2,248)
Income	**38,656**	30,175
Expenses	**(36,514)**	(28,567)
Net finance cost	**(119)**	(73)

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 £nil (2017: £20,000) which relates to the Group's interest in the preference share capital of Bibby Agriculture Ltd.

Notes to the Financial Statements (continued)

16 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
Carr's Supplements (NZ) Ltd	100	New Zealand[3]	New Zealand	Distributor of animal feed blocks
Conegar S.A.	100	Uruguay[6]	Uruguay	Distributor of animal feed blocks
Carr's Supplements (Brasil) Nutrição Animal Ltda	100	Brazil[7]	Brazil	Distributor of animal feed blocks
Carr's Engineering Ltd	100	England[1]	UK	Engineering
Wälischmiller Engineering GmbH	100	Germany[4]	Germany	Engineering
Carr's Engineering (US), Inc.	100	USA[5]	USA	Holding Company
NuVision Engineering, Inc.	100	USA[5]	USA	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
Carr's Group Corporate Trustee Ltd	100	England[1]	UK	Corporate Trustee

[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: 515a Wairakei Road, Burnside, Christchurch 8053, New Zealand [4] Registered Office address: Schießstattweg 16, 88677 Markdorf, Germany
[5] Registered Office address: 2403 Sidney Street, Suite 700, Pittsburgh, Pennsylvania 15203, USA [6] Registered Office address: Juncal 1305, Piso 18, Montevideo, Uruguay
[7] Registered Office address: Avenida Bernardino de Campos, 98, Andar 7, Sala 47, Paraiso, São Paulo – SP, 04.004-040, Brasil

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 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 NuVision Engineering, Inc.

During the year ESI Holding Company, Inc. was merged with NuVision Engineering, Inc. and Horslyx LLC was dissolved.

17 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Liabilities 2018 £'000	Liabilities 2017 £'000
Accelerated tax depreciation	**(1,604)**	(2,118)
Employee benefits	**(1,725)**	(886)
Other	**(652)**	(1,006)
Tax liabilities	**(3,981)**	(4,010)

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 3 September 2017 £'000	Exchange differences £'000	In respect of acquisitions £'000	Recognised in income £'000	Recognised in equity £'000	At 1 September 2018 £'000
Liabilities:						
Accelerated tax depreciation	(2,118)	**28**	**(35)**	**521**	**—**	**(1,604)**
Employee benefits	(886)	**—**	**—**	**(17)**	**(822)**	**(1,725)**
Other	(1,006)	**17**	**(5)**	**314**	**28**	**(652)**
	(4,010)	**45**	**(40)**	**818**	**(794)**	**(3,981)**

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.

17 Deferred tax assets and liabilities (continued)

Movement in deferred tax during the prior 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)

Company	Assets 2018 £'000	Assets 2017 £'000	Liabilities 2018 £'000	Liabilities 2017 £'000	Net 2018 £'000	Net 2017 £'000
Accelerated tax depreciation	**16**	8	**—**	—	**16**	8
Employee benefits	**—**	—	**(1,725)**	(886)	**(1,725)**	(886)
Other	**217**	51	**—**	—	**217**	51
Tax assets/(liabilities)	**233**	59	**(1,725)**	(886)	**(1,492)**	(827)

Movement in deferred tax during the year

	At 3 September 2017 £'000	Recognised in income £'000	Recognised in equity £'000	**At 1 September 2018 £'000**
Assets:				
Accelerated tax depreciation	8	**8**	**—**	**16**
Other	51	**144**	**22**	**217**
	59	**152**	**22**	**233**
Liabilities:				
Employee benefits	(886)	**(17)**	**(822)**	**(1,725)**
	(886)	**(17)**	**(822)**	**(1,725)**
Net liabilities	(827)	**135**	**(800)**	**(1,492)**

Movement in deferred tax during the prior 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)

Tax of £53,000 (2017: £90,000) in respect of tax losses has not been recognised as a deferred tax asset in the Group balance sheet. Tax of £nil (2017: £37,000) in respect of tax losses has not been recognised as a deferred tax asset in the Company balance sheet.

Notes to the Financial Statements (continued)

18 Inventories

Group	2018 £'000	2017 £'000
Raw materials and consumables	**10,536**	10,082
Work in progress	**3,414**	3,174
Finished goods and goods for resale	**28,421**	23,767
	42,371	37,023

Inventories are stated after a provision for impairment of £588,000 (2017: £366,000). The amount recognised as an expense in the year in respect of the write down of inventories is £75,000 (2017: £nil). The amount recognised as a credit in the year in respect of reversals of write downs of inventories is £nil (2017: £127,000).

The cost of inventories recognised as an expense and included in cost of sales is £347,585,000 (2017: £305,977,000).

The Company has no inventories (2017: none).

Construction contracts disclosures

	2018 £'000	2017 £'000
Contract costs incurred plus recognised profits less recognised losses to date	**2,406**	2,623
Contract advances received	**(383)**	(804)
Work in progress on construction contracts	**2,023**	1,819
Revenue from construction contracts	**32,406**	20,521

19 Trade and other receivables

	Group		Company	
	2018 £'000	(Restated) 2017 £'000	2018 £'000	2017 £'000
Current:				
Trade receivables	**58,261**	49,904	**98**	—
Less: provision for impairment of trade receivables	**(1,747)**	(1,675)	**(98)**	—
Trade receivables – net	**56,514**	48,229	**—**	—
Amounts recoverable on contracts	**4,711**	4,408	**—**	—
Amounts owed by Group undertakings (note 34)	**—**	—	**20,185**	18,865
Amounts owed by other related parties (note 34)	**1,963**	2,257	**1,677**	1,686
Loans receivable	**79**	47	**—**	—
Other taxes and social security receivable	**1,109**	872	**328**	248
Other receivables	**1,299**	1,188	**98**	164
Prepayments and accrued income	**1,841**	2,722	**227**	428
	67,516	59,723	**22,515**	21,391
Non-current:				
Amounts owed by Group undertakings (note 34)	**—**	—	**15,405**	18,007
Amounts owed by other related parties (note 34)	**—**	394	**—**	—
Other receivables	**21**	50	**—**	—
	21	444	**15,405**	18,007

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.

19 Trade and other receivables (continued)

During the year a credit of £84,000 (2017: £111,000) 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% or 4.50%. Such amounts are unsecured and repayable on demand.

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

Group	2018 Gross £'000	2018 Impairment £'000	2018 Past due but not impaired £'000	2017 Gross £'000	2017 Impairment £'000	2017 Past due but not impaired £'000
The ageing of trade receivables is as follows:						
Not past due	**34,810**	**(101)**	**N/A**	32,683	(154)	N/A
Past due 1 – 30 days	**10,650**	**(37)**	**10,613**	7,393	(38)	7,355
Past due 31 – 60 days	**4,282**	**(77)**	**4,205**	2,905	(46)	2,859
Past due 61 – 90 days	**2,500**	**(75)**	**2,425**	1,649	(46)	1,603
Past due 91 – 120 days	**1,592**	**(47)**	**1,545**	928	(48)	880
Past 121 days	**4,427**	**(1,410)**	**3,017**	4,346	(1,343)	3,003
	58,261	**(1,747)**	**21,805**	49,904	(1,675)	15,700

Company	2018 Gross £'000	2018 Impairment £'000	2018 Past due but not impaired £'000	2017 Gross £'000	2017 Impairment £'000	2017 Past due but not impaired £'000
The ageing of trade receivables is as follows:						
Past due 91 – 120 days	**17**	**(17)**	**—**	—	—	—
Past 121 days	**81**	**(81)**	**—**	—	—	—
	98	**(98)**	**—**	—	—	—

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 (2017: none).

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
The carrying value of trade receivables are denominated in the following currencies:				
Sterling	**45,853**	38,150	**—**	—
US Dollar	**860**	1,169	**—**	—
Euro	**9,385**	7,994	**—**	—
New Zealand Dollar	**416**	916	**—**	—
	56,514	48,229	**—**	—

Notes to the Financial Statements (continued)

20 Current tax assets

	Group 2018 £'000	Group (Restated) 2017 £'000	Company 2018 £'000	Company 2017 £'000
Corporation tax recoverable	**119**	297	**886**	464
Group taxation relief	**—**	—	**474**	—
	119	297	**1,360**	464

21 Cash and cash equivalents and bank overdrafts

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Cash and cash equivalents per the balance sheet	**24,632**	23,887	**4,955**	8,494
Bank overdrafts (note 23)	**(3,627)**	(5,273)	**—**	—
Cash and cash equivalents per the statement of cash flows	**21,005**	18,614	**4,955**	8,494

22 Trade and other payables

	Group 2018 £'000	Group (Restated) 2017 £'000	Company 2018 £'000	Company 2017 £'000
Current:				
Trade payables	**13,793**	16,215	**—**	—
Payments on account	**5,023**	5,809	**—**	—
Amounts owed to Group undertakings (note 34)	**—**	—	**9**	31
Amounts owed to other related parties (note 34)	**25,084**	19,371	**—**	—
Other taxes and social security payable	**1,431**	1,090	**691**	637
Contingent, deferred and unpaid cash consideration	**2,371**	2,396	**—**	—
Other payables	**9,771**	6,764	**438**	318
Accruals and deferred income	**6,817**	4,536	**1,323**	551
	64,290	56,181	**2,461**	1,537
Non-current:				
Contingent consideration	**1,576**	3,492	**—**	—
Accruals and deferred income	**208**	263	**—**	—
	1,784	3,755	**—**	—

Amounts owed to Group undertakings and other related parties are interest free, unsecured and repayable on demand.

During the year deferred consideration arose on an acquisition (note 28). In addition there remained initial cash consideration unpaid at the balance sheet date together with deferred and contingent consideration on prior year acquisitions. After retranslation at the balance sheet date of foreign currency denominated amounts, £2,371,000 of these outstanding payables are recognised within current liabilities and £1,576,000 are recognised within non-current liabilities.

22 Trade and other payables (continued)

Included within accruals and deferred income is the following in respect of government grants:

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
At the beginning of the year	**269**	274	**—**	—
Exchange differences	**(1)**	2	**—**	—
Subsidiaries acquired	**—**	46	**—**	—
Amortisation in the year	**(54)**	(53)	**—**	—
At the end of the year	**214**	269	**—**	—
Included within:				
Current liabilities	**6**	6	**—**	—
Non-current liabilities	**208**	263	**—**	—
	214	269	**—**	—

23 Borrowings

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Current:				
Bank overdrafts	**3,627**	5,273	**—**	—
Bank loans and other borrowings	**30,444**	10,951	**13,378**	1,693
Loans from Group undertakings (note 34)	**—**	—	**5,461**	5,461
Finance leases	**923**	836	**—**	—
	34,994	17,060	**18,839**	7,154
Non-current:				
Bank loans	**3,564**	19,425	**3,564**	19,018
Finance leases	**1,433**	1,541	**—**	—
	4,997	20,966	**3,564**	19,018
Borrowings are repayable as follows:				
On demand or within one year	**34,994**	17,060	**18,839**	7,154
In the second year	**1,916**	16,543	**1,188**	15,454
In the third to fifth years inclusive	**3,081**	4,423	**2,376**	3,564
	39,991	38,026	**22,403**	26,172

Group and Company borrowings are shown in the balance sheet net of arrangement fees of £53,000 (2017: £149,000) of which £17,000 (2017: £57,000) is deducted from current liabilities and £36,000 (2017: £92,000) is deducted from non-current liabilities.

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
The net borrowings are:				
Borrowings as above	**39,991**	38,026	**22,403**	26,172
Cash and cash equivalents	**(24,632)**	(23,887)	**(4,955)**	(8,494)
Net borrowings	**15,359**	14,139	**17,448**	17,678

Bank loans and other borrowings includes an amount of £15,922,000 (2017: £6,988,000) 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.

The bank loans are repayable by instalments and the overdraft is repayable on demand.

Current bank loans (2017: non-current bank loans) includes a drawn down revolving credit facility of £11.8m (2017: £13.9m) which is repayable in June 2019. At the year end the Group had £12.7m of undrawn revolving credit facilities (2017: £10.6m). At the date of signing these financial statements the facility has been renewed until November 2023.

Notes to the Financial Statements (continued)

24 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	2018 Sterling £'000	2018 US Dollar £'000	2018 Euro £'000	2018 NZ Dollar £'000	2018 Other £'000	2018 Total £'000	(Restated) 2017 Sterling £'000	(Restated) 2017 US Dollar £'000	(Restated) 2017 Euro £'000	(Restated) 2017 NZ Dollar £'000	(Restated) 2017 Total £'000
Assets											
Other investments	50	23	1	—	—	74	50	23	—	—	73
Non-current receivables	—	21	—	—	—	21	50	394	—	—	444
Current trade and other receivables	50,535	4,154	9,461	416	—	64,566	44,177	3,699	8,028	225	56,129
Current derivatives	—	13	13	—	—	26	—	13	—	—	13
Cash and cash equivalents	16,761	6,792	704	281	94	24,632	12,165	6,192	5,323	207	23,887
	67,346	11,003	10,179	697	94	89,319	56,442	10,321	13,351	432	80,546
Liabilities											
Current borrowings	29,326	148	5,520	—	—	34,994	15,273	329	1,458	—	17,060
Current derivatives	—	—	—	—	—	—	—	—	18	—	18
Current trade and other payables	50,623	4,957	7,180	93	—	62,853	42,656	3,100	9,269	60	55,085
Non-current borrowings	4,997	—	—	—	—	4,997	16,068	—	4,898	—	20,966
Other non-current liabilities	—	1,576	—	—	—	1,576	—	3,492	—	—	3,492
	84,946	6,681	12,700	93	—	104,420	73,997	6,921	15,643	60	96,621

Company	2018 Sterling £'000	2018 US Dollar £'000	2018 Euro £'000	2018 Total £'000	2017 Sterling £'000	2017 US Dollar £'000	2017 Euro £'000	2017 Total £'000
Assets								
Non-current receivables	—	15,405	—	15,405	—	18,007	—	18,007
Current trade and other receivables	12,308	1,239	8,413	21,960	12,488	1,243	6,984	20,715
Cash and cash equivalents	3,765	1,185	5	4,955	7,271	1,009	214	8,494
	16,073	17,829	8,418	42,320	19,759	20,259	7,198	47,216
Liabilities								
Current borrowings	14,056	—	4,783	18,839	7,154	—	—	7,154
Current trade and other payables	1,770	—	—	1,770	900	—	—	900
Non-current borrowings	3,564	—	—	3,564	14,120	—	4,898	19,018
	19,390	—	4,783	24,173	22,174	—	4,898	27,072

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% (2017: 10%) weakening or strengthening in Sterling against other currencies represents reasonable possible changes.

	2018 10% weakening £'000	2018 10% strengthening £'000	2017 10% weakening £'000	2017 10% strengthening £'000
Impact on profit after taxation	861	(704)	1,429	(1,170)
Impact on total equity	4,940	(4,042)	4,623	(3,779)

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.

24 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 %	2018 £'000	Weighted average effective interest rate %	2017 £'000
Bank overdrafts	2.70	3,627	2.26	5,273
Bank loans and other borrowings	2.13	34,008	1.82	30,376
Finance lease liabilities	2.39	2,356	2.42	2,377
		39,991		38,026
Fixed rate		2,356		2,377
Floating rate		37,635		35,649
		39,991		38,026

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 + 1.15% margin; 1.3%

Company	Weighted average effective interest rate %	2018 £'000	Weighted average effective interest rate %	2017 £'000
Bank loans	2.18	16,942	1.93	20,711
Loans from Group undertakings	—	5,461	—	5,461
Floating rate		22,403		26,172

The Company's floating rate financial liabilities bear interest determined as follows:

Bank loans	Libor + 1.8%

Notes to the Financial Statements (continued)

24 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.

	2018 1% decrease £'000	2018 1% increase £'000	2017 1% decrease £'000	2017 1% increase £'000
Impact on profit after taxation	415	(415)	283	(283)
Impact on total equity	415	(415)	283	(283)

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.

	2018				(Restated) 2017			
Group	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 overdrafts	3,627	3,627	–	–	5,273	5,273	–	–
Bank loans and other borrowings	34,534	30,790	1,279	2,465	31,357	11,415	16,227	3,715
Finance lease liabilities	2,537	992	786	759	2,580	903	737	940
Derivatives	–	–	–	–	18	18	–	–
Trade and other payables	62,853	62,853	–	–	55,085	55,085	–	–
Other non-current liabilities	1,657	–	1,657	–	3,671	–	2,009	1,662
	105,208	98,262	3,722	3,224	97,984	72,694	18,973	6,317

	2018				2017			
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	17,467	13,723	1,279	2,465	20,711	1,693	15,454	3,564
Loans from Group undertakings	5,461	5,461	–	–	5,461	5,461	–	–
Trade and other payables	1,770	1,770	–	–	900	900	–	–
	24,698	20,954	1,279	2,465	27,072	8,054	15,454	3,564

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.

24 Derivatives and other financial instruments (continued)

Future minimum lease payments of finance leases

Group	2018 £'000	2017 £'000	Repayment profile 2018 £'000	Repayment profile 2017 £'000
Amount payable:				
Within one year	**992**	903	**923**	836
In the second year	**786**	737	**728**	683
In the third to fifth years inclusive	**759**	940	**705**	858
	2,537	2,580	**2,356**	2,377
Less: future finance charges	**(181)**	(203)		
Present value of lease obligations	**2,356**	2,377		

The Company has no finance lease obligations (2017: none).

Borrowing facilities

The Group has various undrawn facilities. The undrawn facilities available at 1 September 2018, in respect of which all conditions precedent had been met, were as follows:

	2018 Floating rate £'000	2017 Floating rate £'000
Expiring in one year or less	**14,868**	5,957
Expiring within two and five years inclusive	**12,374**	24,273
	27,242	30,230

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 1 September 2018 the Group had net debt of £15.4m (2017: £14.1m). Gearing was 12.7% 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.

Notes to the Financial Statements (continued)

24 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 loss of £4,000 (2017: Pre-tax gain of £36,000) was recognised in equity during the year on translation of US dollar denominated loans with a fair value of $1,608,000 (2017: $1,608,000) to sterling. A foreign exchange pre-tax gain of £115,000 (2017: pre-tax loss of £106,000) was recognised in equity during the year on translation of Euro denominated loans with a fair value of €5,330,000 (2017: €5,330,000) 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 to manage exchange risk exposure. At the balance sheet date, the fair value of outstanding forward foreign currency contracts are as below:

Group	2018 Fair value £'000	2018 Contractual or notional amount £'000	2017 Fair value £'000	2017 Contractual or notional amount £'000
At beginning of the year	(3)	2,821	(20)	1,462
Gains during the year	16	(1,615)	17	1,359
At end of the year	13	1,206	(3)	2,821
Included within:				
Current assets	13	1,206	13	2,152
Current liabilities	—	—	(16)	669
	13	1,206	(3)	2,821

The Company has no forward foreign currency contracts.

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	2018 Fair value £'000	2018 Contractual or notional amount £'000	2017 Fair value £'000	2017 Contractual or notional amount £'000
At beginning of the year	(2)	146	—	—
Gains/(losses) during the year	15	(22)	(2)	146
At end of the year (current assets/(current liabilities))	13	124	(2)	146

The Company has no currency swaps (2017: none).

Fair value has been determined by reference to the value of equivalent forward foreign currency contracts and currency swaps at the balance sheet date.

Gains and losses on currency related derivatives are included within administrative expenses.

25 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. There were no pension contributions made by the Group over the year to the defined benefit section (2017: £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 2017 and updated on an approximate basis to 1 September 2018 by a qualified independent actuary.

Major assumptions:

	2018 %	2017 %
Inflation (RPI)	3.00	3.20
Inflation (CPI)	2.10	2.30
Rate of discount	2.80	2.40
Pension in payment increases:		
RPI or 5.0% per annum if less	3.00	3.10
RPI or 5.0% per annum if less, minimum 3.0% per annum	3.50	3.60

The mortality tables used in the valuation as at 1 September 2018 are 100% of S2PA with allowance for mortality improvements using CMI_2017 with a 1.25%pa underpin. The mortality assumptions adopted imply the following life expectancies at age 65 as at 1 September 2018:

	At 1 September 2018	At 2 September 2017
Males currently age 45	23.4 years	23.5 years
Females currently age 45	25.4 years	25.4 years
Males currently age 65	22.0 years	22.1 years
Females currently age 65	23.9 years	23.9 years

Amounts recognised in the Income Statement in respect of defined benefit schemes:

	2018 £'000	2017 £'000
Service cost – administrative cost	24	59
Net interest on the net defined benefit asset	(125)	(6)
Total (income)/expense	(101)	53

25 Retirement benefits (continued)

The (income)/expense is recognised within the Income Statement as shown below:

	2018 £'000	2017 £'000
Within operating profit:		
Administrative expenses	24	59
Within interest:		
Finance income	(125)	(6)
Total (income)/expense	(101)	53

Remeasurements of the net defined benefit asset to be shown in the Statement of Comprehensive Income:

	2018 £'000	2017 £'000
Net measurement – financial	4,716	1,492
Net measurement – demographic	486	1,283
Net measurement – experience	1,353	(1,888)
Return on assets, excluding interest income	(1,719)	4,064
Total remeasurement of the net defined benefit asset	4,836	4,951

Amounts included in the Balance Sheet:

	2018 £'000	2017 £'000
Present value of funded defined benefit obligations	(60,488)	(69,921)
Fair value of scheme assets	70,634	75,130
Surplus in funded scheme	10,146	5,209

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

	2018 £'000	2017 £'000
Benefit obligation at the beginning of the year	69,921	73,355
Interest cost	1,624	1,463
Net measurement gains – financial	(4,716)	(1,492)
Net measurement gains – demographic	(486)	(1,283)
Net measurement (gains)/losses – experience	(1,353)	1,888
Benefits paid	(4,502)	(4,010)
Benefit obligation at the end of the year	60,488	69,921

Benefit obligation by participant status:

	2018 £'000	2017 £'000
Vested deferreds	19,181	24,472
Retirees	41,307	45,449
	60,488	69,921

25 Retirement benefits (continued)

Reconciliation of opening and closing balances of the fair value of scheme assets:

	2018 £'000	2017 £'000
Fair value of scheme assets at the beginning of the year	**75,130**	73,666
Interest income on scheme assets	**1,749**	1,469
Return on assets, excluding interest income	**(1,719)**	4,064
Benefits paid	**(4,502)**	(4,010)
Scheme administrative cost	**(24)**	(59)
Fair value of scheme assets at the end of the year	**70,634**	75,130

Analysis of the scheme assets and actual return:

	Fair value of assets 2018 £'000	2017 £'000
Equity instruments	**12,306**	22,979
Property	**3,805**	3,278
Bonds	**48,618**	48,601
Cash	**44**	272
Other	**5,861**	—
	70,634	75,130
Actual return on scheme assets	**30**	5,533

Sensitivity analysis

A sensitivity analysis of the principal assumptions used to measure the scheme liabilities:

	Change in assumption	Present value of defined benefit obligation £'000
Discount rate	Decrease by 25 basis points	**62,722**
	Increase by 25 basis points	**58,374**
Price inflation rate	Decrease by 25 basis points	**59,270**
	Increase by 25 basis points	**61,641**
Mortality assumption	Decrease by 1 year	**62,760**
	Increase by 1 year	**58,245**

Expected cash flows for the following year:

	£'000
Expected employer contributions	—
Expected contributions to reimbursement rights	—
Expected total benefit payments:	
Year 1	**4,633**
Year 2	**4,769**
Year 3	**4,908**
Year 4	**5,051**
Year 5	**5,198**
Next 5 years	**28,351**

Notes to the Financial Statements (continued)

25 Retirement benefits (continued)

Characteristics and the risks associated with the Scheme

Information about the characteristics of 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.

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 £1,485,000 (2017: £911,000).

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 surplus, calculated in accordance with IAS 19, of £2.0m (2017: deficit of £2.3m). 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 (2017: £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 offered a Group Personal Pension Plan to some of its employees. From 1 September 2017 contributions into this plan ceased and employees were instead offered membership in the Carr's Group Retirement Savings Scheme (Carr's Group RSS). The pension expense for this plan in the year was £nil (2017: £521,000).

The pension expense in respect of defined contribution pension arrangements in foreign subsidiaries during the year was £503,000 (2017: £308,000).

Pension contributions into NEST during the year amounted to £62,000 (2017: £39,000).

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 £17,000 (2017: £36,000).

26 Share capital

Group and Company	2018 Shares	2018 £'000	2017 Shares	2017 £'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	**91,395,541**	**2,285**	91,192,804	2,280
Allotment of shares	**7,571**	**—**	202,737	5
At end of the year	**91,403,112**	**2,285**	91,395,541	2,285

The consideration received on the allotment of shares during the year was £11,292 (2017: £23,628).

For details of share based payment schemes see note 27.

Since the year end there was a further allotment of 7,540 shares with a nominal value of £189 due to the exercise of share options. In addition, to enable vesting of the Group's long term incentive plan, 520,315 shares with a nominal value of £13,008 were allotted and held in treasury.

27 Share-based payments

Group

The Group operates two active share based payment schemes at 1 September 2018.

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 2015, November 2016 and December 2017 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 December 2017	Long Term Incentive Plan November 2016	Long Term Incentive Plan November 2015	Share Save Scheme (3-Year Plan 2018)	Share Save Scheme (5-Year Plan 2014)
Grant date	22/12/17	14/11/16	9/11/15	18/12/17	9/6/14
Share price at grant date (weighted average)	£1.240	£1.440	£1.460	£1.20	£1.870
Exercise price (weighted average)	£0.00	£0.00	£0.00	£1.061	£1.520
Fair value per option at grant	£1.119	£1.324	£1.344	£0.280	£0.529
Number of employees	7	7	7	267	22
Shares under option	611,596	541,574	511,785	1,336,867	75,480
Vesting period (years)	3	3	3	3	5
Model used for valuation	Market value*	Market value*	Market value*	Binomial	Black Scholes
Expected volatility	—	—	—	32.7%	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	—	—	—	0.6%	2.07%
Expected dividends expressed as a dividend yield	1.68%	1.78%	2.54%	2.7%	1.93%
Expectations of vesting	100%	100%	100%	95%	95%

* 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.

Notes to the Financial Statements (continued)

27 Share-based payments (continued)

Number of options

	Long Term Incentive Plan December 2017 Number '000	Long Term Incentive Plan November 2016 Number '000	Long Term Incentive Plan November 2015 Number '000	Long Term Incentive Plan November 2014 Number '000	Share Save Scheme (3-Year Plan 2018) Number '000	Share Save Scheme (3-Year Plan 2014) Number '000	Share Save Scheme (5-Year Plan 2014) Number '000
Outstanding:							
At 3 September 2016	—	—	625	512	—	428	282
Granted in the year	—	579	—	—	—	—	—
Exercised in the year	—	—	—	—	—	(5)	—
Forfeited in the year	—	(37)	(113)	(69)	—	(401)	(83)
At 2 September 2017	**—**	**542**	**512**	**443**	**—**	**22**	**199**
Granted in the year	**612**	**—**	**—**	**—**	**1,465**	**—**	**—**
Exercised in the year	**—**	**—**	**—**	**—**	**—**	**(7)**	**—**
Forfeited in the year	**—**	**—**	**—**	**(443)**	**(128)**	**(15)**	**(124)**
At 1 September 2018	**612**	**542**	**512**	**—**	**1,337**	**—**	**75**
Exercisable:							
At 2 September 2017	—	—	—	—	—	22	—
At 1 September 2018	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Weighted average: Remaining contractual life (years)	**9.00**	**8.00**	**7.00**	**—**	**2.83**	**—**	**1.25**
Remaining expected life (years)	**5.50**	**4.50**	**3.50**	**—**	**2.58**	**—**	**1.00**

The total expense recognised for the year arising from share based payments are as follows:

	2018 £'000	2017 £'000
Long Term Incentive Plan December 2017	**228**	—
Long Term Incentive Plan November 2016	**350**	105
Long Term Incentive Plan November 2015	**435**	243
Long Term Incentive Plan November 2013	**—**	87
Share Save Scheme (3-Year Plan 2018)	**86**	—
Share Save Scheme (3-Year Plan 2014)	**—**	37
Share Save Scheme (5-Year Plan 2014)	**26**	13
	1,125	485

27 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 recognised for the year arising from share based payments are as follows:

	2018 £'000	2017 £'000
Long Term Incentive Plan December 2017	179	—
Long Term Incentive Plan November 2016	255	82
Long Term Incentive Plan November 2015	299	195
Long Term Incentive Plan November 2013	—	62
Share Save Scheme (3-Year Plan 2018)	12	—
Share Save Scheme (3-Year Plan 2014)	—	8
Share Save Scheme (5-Year Plan 2014)	1	1
	746	348

Share based payments awarded to employees of subsidiary undertakings and recognised as an investment in subsidiary undertakings in the Company are as follows:

	2018 £'000	2017 £'000
Long Term Incentive Plan December 2017	48	—
Long Term Incentive Plan November 2016	118	23
Long Term Incentive Plan November 2015	183	48
Share Save Scheme (3-Year Plan 2018)	74	—
Share Save Scheme (3-Year Plan 2014)	—	9
Share Save Scheme (5-Year Plan 2014)	84	58
Total carrying amount of investments	507	138

28 Acquisition

Pearson Farm Supplies Ltd

On 31 October 2017 Carrs Billington Agriculture (Sales) Ltd acquired the entire issued share capital of Pearson Farm Supplies Ltd for cash consideration of £1.2m. Of this cash consideration £0.1m was deferred until February 2018 and a further £0.1m is deferred until the third anniversary of completion.

The principal activity of Pearson Farm Supplies Ltd is that of an agricultural retail business.

The primary reason for the business combination was the expansion of the existing agriculture business.

This purchase has been accounted for as an acquisition. Given the size and timing of the acquisition no separate disclosure has been presented on the face of the consolidated income statement as the impact would not be material.

Goodwill arising from the acquisition in the year amounts to £658,000. 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 the acquisition made in the year:

	£'000
Revenue	4,318
Profit before taxation	188

There were no other recognised gains and losses other than the profit shown above.

Notes to the Financial Statements (continued)

28 Acquisition (continued)
Acquisition related costs amounted to £9,000, which have been recognised within administrative expenses in the consolidated income statement and have been included in business combination expenses within non-recurring items (note 4).

The assets and liabilities recognised in the acquisition accounting are set out below:

	Fair value £'000
Intangible assets	53
Property, plant and equipment	267
Inventories	958
Receivables	1,099
Bank overdraft	(445)
Payables	(1,196)
Finance leases	(108)
Taxation liabilities	
– Current	(33)
– Deferred	(40)
Net assets acquired	555
Goodwill	658
	1,213
Satisfied by:	
Cash consideration	1,013
Deferred consideration	200
	1,213

During the year £100,000 of the £200,000 deferred consideration has been paid. Cash consideration includes £73,000 that remains unpaid at the year end.

Intangible assets represents the fair value of customer relationships of Pearson Farm Supplies Ltd.

Pro forma full year information
IFRS3 (revised) requires disclosure of information as to the impact on the financial statements if the acquisition had occurred at the beginning of the accounting year.

The unaudited pro forma summary below presents the Group as if the acquisition had been acquired on 3 September 2017.

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.

	£'000
Revenue	404,452
Profit before taxation	16,053

29 Cash generated from/(used in) continuing operations

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Profit for the year from continuing operations	**13,647**	8,295	**2,541**	3,349
Adjustments for:				
Tax	**1,855**	1,707	**(642)**	(77)
Tax credit in respect of R & D	**(451)**	(129)	**—**	—
Dividends received from subsidiaries	**—**	—	**(4,625)**	(2,303)
Dividends received from associate and joint ventures	**—**	—	**(588)**	(1,097)
Depreciation of property, plant and equipment	**4,372**	4,093	**15**	—
Depreciation of investment property	**6**	6	**—**	—
Goodwill impairment	**516**	1,700	**—**	—
Intangible asset amortisation	**397**	124	**—**	—
Loss on disposal of property, plant and equipment	**19**	215	**59**	—
Release of contingent consideration	**—**	(2,090)	**—**	—
Business combination expenses	**251**	1,299	**—**	—
Net fair value expense on share based payments	**1,125**	485	**746**	348
Other non-cash adjustments	**107**	(222)	**276**	(742)
Finance costs:				
Interest income	**(358)**	(176)	**(1,836)**	(1,861)
Interest expense and borrowing costs	**1,357**	901	**610**	329
Share of results of associates and joint ventures	**(3,215)**	(2,813)	**—**	—
IAS19 income statement charge (excluding interest) (note 25)	**24**	59	**24**	59
Changes in working capital (excluding the effects of acquisitions):				
Increase in inventories	**(5,106)**	(2,379)	**—**	—
(Increase)/decrease in receivables	**(7,015)**	(383)	**300**	(224)
Increase/(decrease) in payables	**7,449**	4,402	**996**	(720)
Cash generated from/(used in) continuing operations	**14,980**	15,094	**(2,124)**	(2,939)

30 Analysis of net debt

Group	At 3 September 2017 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	**At 1 September 2018 £'000**
Cash and cash equivalents	23,887	**1,050**	**—**	**(305)**	**24,632**
Bank overdrafts	(5,273)	**1,646**	**—**	**—**	**(3,627)**
	18,614	**2,696**	**—**	**(305)**	**21,005**
Loans and other borrowings:					
– current	(10,951)	**(6,025)**	**(13,511)**	**43**	**(30,444)**
– non-current	(19,425)	**2,407**	**13,339**	**115**	**(3,564)**
Finance leases:					
– current	(836)	**997**	**(1,084)**	**—**	**(923)**
– non-current	(1,541)	**—**	**108**	**—**	**(1,433)**
Net debt	(14,139)	**75**	**(1,148)**	**(147)**	**(15,359)**

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.

30 Analysis of net debt (continued)

Company	At 3 September 2017 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	**At 1 September 2018 £'000**
Cash and cash equivalents	8,494	**(3,541)**	**—**	**2**	**4,955**
Loans and other borrowings:					
– current	(7,154)	**1,826**	**(13,511)**	**—**	**(18,839)**
– non-current	(19,018)	**2,000**	**13,339**	**115**	**(3,564)**
Net debt	(17,678)	**285**	**(172)**	**117**	**(17,448)**

Other non-cash changes relate to the release of deferred borrowing costs to the consolidated income statement and transfers between categories of borrowings.

31 Capital commitments

Group	**2018 £'000**	2017 £'000
Capital expenditure on property, plant and equipment that has been contracted for but has not been provided for in the accounts	**621**	966

The Company has no capital commitments (2017: none).

32 Other financial commitments

Group

At 1 September 2018 the Group had commitments under non-cancellable operating leases as follows:

	2018		2017	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Within one year	**1,190**	**522**	1,095	625
Within two and five years inclusive	**3,448**	**468**	2,761	738
After five years	**5,443**	**—**	5,764	1
	10,081	**990**	9,620	1,364

The Company has no commitments under non-cancellable operating leases (2017: none).

33 Financial guarantees and contingent liabilities

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 1 September 2018 amounted to £nil (2017: £1,593,000).

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 1 September 2018 was £4,359,000 (2017: £6,760,000).

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. The contracts under these guarantees had a total contract value of £12,181,000 (2017: £2,037,000) and as at 1 September 2018 £5,064,000 (2017: £2,037,000) remained uncompleted.

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 1 September 2018 the cumulative rent payable over the remaining term of the lease is £1,227,000 (2017: £1,362,000).

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 (2017: £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 (2017: £7.6m).

From time to time the Company, or its subsidiaries, may be required to participate or otherwise become involved in legal proceedings, including those brought by government or regulatory bodies, which could potentially give rise to a contingent liability. At this time there is no expectation that any liabilities or other financial loss will be incurred in connection with any such proceedings.

The Group and Company does not expect any of the above to be called in.

34 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	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Balances reported in the Balance Sheet				
Amounts owed by businesses controlled by key management personnel (in a trading capacity):				
Trade receivables	**144**	74	**–**	–
Transactions reported in the Income Statement				
Revenue	**166**	296	**–**	–

Transactions with subsidiaries

	Company	
	2018 £'000	2017 £'000
Balances reported in the Balance Sheet		
Amounts owed by subsidiary undertakings:		
Loans	**35,510**	36,682
Other receivables	**80**	190
	35,590	36,872
Amounts owed to subsidiary undertakings:		
Loans	**(5,461)**	(5,461)
Other payables	**(9)**	(31)
	(5,470)	(5,492)
Transactions reported in the Income Statement		
Management charges receivable	**2,360**	2,360
Dividends received	**4,625**	2,303
Interest receivable	**1,643**	1,759
Purchases	**(2)**	(1)

34 Related parties (continued)

Transactions with associates

	Group 2018 £'000	Group (Restated) 2017 £'000	Company 2018 £'000	Company 2017 £'000
Balances reported in the Balance Sheet				
Amounts owed by associates:				
Trade and other receivables	**85**	841	**18**	17
Amounts owed to associates:				
Trade and other payables	**(25,072)**	(19,338)	**—**	—
Transactions reported in the Income Statement				
Revenue	**758**	874	**—**	—
Rental income	**20**	19	**—**	—
Management charges receivable	**110**	93	**110**	45
Dividends received	**—**	—	**588**	245
Interest receivable	**71**	6	**—**	—
Management charges payable	**(97)**	(126)	**—**	—
Purchases	**(114,350)**	(97,922)	**—**	—

Included within Group trade and other receivables is £nil (2017 restated: £631,000) in respect of loans owed by associates. Of this, £nil (2017: £237,000) is within current receivables and £nil (2017 restated: £394,000) is within non-current receivables.

Transactions with joint ventures

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Balances reported in the Balance Sheet				
Amounts owed by joint ventures:				
Trade and other receivables	**1,734**	1,736	**1,659**	1,669
Amounts owed to joint ventures:				
Trade and other payables	**(12)**	(33)	**—**	—

Included within Group trade and other receivables is £1,659,000 (2017: £1,663,000) in respect of loans owed by joint ventures.
Included within Company trade and other receivables is £1,659,000 (2017: £1,663,000) in respect of loans owed by joint ventures.

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Transactions reported in the Income Statement				
Revenue	**696**	554	**—**	—
Management charges receivable	**152**	139	**—**	—
Dividends received	**—**	—	**—**	852
Purchases	**(1,138)**	(757)	**—**	—

35 Post balance sheet events

Acquisition

On 21 September 2018, after the year end, the Group acquired the entire issued share capital of Animax Ltd, a producer of market-leading animal health products, for a total cash consideration of up to £8.5m. As part of the acquisition, the Group also acquired the entire issued share capital of Animax Ltd's related party, Clinimax Ltd. Clinimax Ltd is a manufacturer of specialist disinfectant products for use in the medical industry.

Both businesses were acquired for an initial cash consideration of £6.0m, with an additional cash consideration of up to a maximum of £2.5m payable over the period to November 2020, based on the achievement of agreed financial targets.

The acquisition of Animax Ltd aligns with the Group's stated strategy of investing in growing agriculture markets in the UK and internationally.

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. The most recent published financial statements, for year ended 30 November 2017, showed net assets of £4.2m for Animax Limited and £0.2m net assets for Clinimax Limited.

The table opposite is an extract from the Animax Limited balance sheet as at 30 November 2017:

35 Post balance sheet events (continued)

	£'000
Tangible assets	1,814
Net current assets	2,742
Non-current liabilities and provisions	(380)
Net assets	4,176

High Court legal ruling
Since the year end, the High Court has ruled on the case of *Lloyds Banking Group Pensions Trustees Ltd v Lloyds Bank plc and others*. The ruling that Lloyds Bank Group must amend its three defined benefit pension schemes in order to equalise Guaranteed Minimum Pensions (GMPs) between males and females will impact how companies account for pension schemes under IAS 19. Given the timing of this ruling and the date of signing these financial statements it is considered impracticable to reflect any potential financial impact to the accounting for the Group's defined benefit pension scheme within this Report and Accounts. Any impact arising from this ruling will be reflected in the IAS 19 accounting in the Group's interim results for 2019. This is not expected to be material to the Group's net assets.

36 Restatement of year ended 2 September 2017 balance sheet

The financial statements for year ended 2 September 2017 included provisional fair value accounting for the acquisition of NuVision Engineering, Inc which occurred on 4 August 2017. Given the proximity of the acquisition to the year end and date of publication of the report and accounts for 2017 it was not possible to finalise the accounting for this acquisition at that time. IFRS 3 permits the acquirer to determine fair values in the period subsequent to acquisition (the 'measurement period'). Where measurement period adjustments are identified the comparative information included in subsequent financial statements should be restated to include the effect of the adjustments as if the accounting for the business combination had been completed on the acquisition date.

The balance sheet as at 2 September 2017 has been restated in accordance with IFRS 3 to reflect the measurement period adjustments identified during the finalisation of the acquisition accounting.

The table below shows the finalised fair values of assets and liabilities acquired, consideration payable and goodwill, translated to sterling using exchange rates as at the date of acquisition.

	Provisional fair value £'000	Finalised fair value £'000
Intangible assets	1,488	1,488
Property, plant and equipment	1,250	1,250
Investment in associate	544	544
Receivables	766	766
Loan due from associate	940	627
Current taxation asset	185	—
Cash at bank	1,196	1,196
Bank loan	(528)	(528)
Payables	(1,147)	(1,147)
Current taxation liability	—	(40)
Deferred taxation liability	(850)	(850)
Net assets acquired	3,844	3,306
Goodwill	8,293	8,344
	12,137	11,650
Satisfied by:		
Cash consideration	8,044	7,931
Contingent consideration	4,093	3,719
	12,137	11,650

The effect on the balance sheet for the year ended 2 September 2017 is shown below.

	Original £'000	Restated £'000
Goodwill	24,241	24,293
Non-current loans receivable	762	444
Current tax assets	485	297
Trade and other payables	(56,008)	(56,181)
Current tax liabilities	(632)	(673)
Other non-current liabilities	(4,423)	(3,755)

Foreign currency denominated balances have been translated using exchange rates as at the balance sheet date.

Five Year Statement

Continuing operations Revenue and Results	(Restated)[9] 2014 £'000	(Restated)[7,9] 2015 £'000	(Restated)[9] 2016 £'000	(Restated)[9] 2017 £'000	**2018** **£'000**
Revenue	341,849	331,285	314,907	346,224	**403,192**
Operating profit	14,124	14,397	14,851	10,690	**16,405**
Analysed as:					
Operating profit before amortisation and non-recurring items	14,423	14,648	15,063	12,091	**17,464**
Amortisation and non-recurring items	(299)	(251)	(212)	(1,401)	**(1,059)**
Operating profit	14,124	14,397	14,851	10,690	**16,405**
Finance income	264	338	236	176	**358**
Finance costs	(1,171)	(1,045)	(1,009)	(864)	**(1,261)**
Profit before taxation	13,217	13,690	14,078	10,002	**15,502**
Analysed as:					
Profit before taxation before amortisation and non-recurring items	13,516	13,941	14,290	11,403	**16,561**
Amortisation and non-recurring items	(299)	(251)	(212)	(1,401)	**(1,059)**
Profit before taxation	13,217	13,690	14,078	10,002	**15,502**
Taxation	(2,873)	(3,010)	(2,907)	(1,707)	**(1,855)**
Profit for the year from continuing operations	10,344	10,680	11,171	8,295	**13,647**
Profit for the year from discontinued operations	2,549	3,013	2,817	–	**–**
Profit for the year	12,893	13,693	13,988	8,295	**13,647**
Ratios (continuing operations)					
Operating margin (excluding non-recurring items and amortisation)[9]	4.2%	4.4%	4.8%	3.5%	**4.3%**
Return on net assets (excluding non-recurring items and amortisation)	15.0%	14.1%	13.0%	10.8%	**13.7%**
Earnings per share – basic[8]	9.9p	10.0p	10.7p	7.7p	**13.0p**
– adjusted[8]	10.2p	10.2p	10.9p	8.9p	**13.9p**
Dividends per ordinary share[8]	3.4p	3.7p	3.8p	4.0p	**4.5p**

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.

[7] Restated for the reclassification to interest income of the net interest on the net defined benefit retirement asset previously recognised within operating profit.

[8] Restated for the effect of the 10:1 share split in January 2015.

[9] Restated for the reclassification to operating profit of the share of post-tax results of the associates and joint ventures.

Net assets employed	2014 £'000	(Restated)[10] 2015 £'000	2016 £'000	(Restated)[11] 2017 £'000	**2018 £'000**
Non-current assets					
Goodwill	9,798	10,849	11,440	24,293	**24,272**
Other intangible assets	499	448	286	2,266	**2,223**
Property, plant and equipment	56,626	58,385	35,811	37,149	**38,484**
Investment property	656	636	182	176	**170**
Investments	11,796	13,530	14,996	18,106	**21,207**
Financial assets					
– Non-current receivables	501	50	50	444	**21**
Retirement benefit asset	2,056	1,767	311	5,209	**10,146**
Deferred tax assets	1,507	861	—	—	**—**
	83,439	86,526	63,076	87,643	**96,523**
Current assets					
Inventories	33,315	35,031	33,423	37,023	**42,371**
Trade and other receivables	63,623	64,454	56,940	59,723	**67,516**
Current tax assets	47	839	303	297	**119**
Financial assets					
– Derivative financial instruments	—	50	—	13	**26**
– Cash and cash equivalents	17,268	20,052	48,411	23,887	**24,632**
	114,253	120,426	139,077	120,943	**134,664**
Total assets	197,692	206,952	202,153	208,586	**231,187**
Current liabilities					
Financial liabilities					
– Borrowings	(19,688)	(18,721)	(21,642)	(17,060)	**(34,994)**
– Derivative financial instruments	(15)	(72)	(20)	(18)	**—**
Trade and other payables	(54,236)	(54,496)	(46,823)	(56,181)	**(64,290)**
Current tax liabilities	(1,631)	(472)	(470)	(673)	**(175)**
	(75,570)	(73,761)	(68,955)	(73,932)	**(99,459)**
Non-current liabilities					
Financial liabilities					
– Borrowings	(22,189)	(25,744)	(18,625)	(20,966)	**(4,997)**
Deferred tax liabilities	(4,111)	(4,184)	(1,817)	(4,010)	**(3,981)**
Other non-current liabilities	(5,995)	(4,300)	(2,668)	(3,755)	**(1,784)**
	(32,295)	(34,228)	(23,110)	(28,731)	**(10,762)**
Total liabilities	(107,865)	(107,989)	(92,065)	(102,663)	**(110,221)**
Net assets	89,827	98,963	110,088	105,923	**120,966**

[10] 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.

[11] Restated for the finalisation of the fair value acquisition accounting for NuVision Engineering, Inc.

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515a Wairakei Road,
Burnside, Christchurch,
8053, New Zealand
Tel: 0064 03 974 9274

Clinimax Limited
Shepherds Grove West,
Stanton, Bury St Edmund's,
Suffolk IP31 2AR
Tel: 01359 252181

Crystalyx Products GmbH*
Am Stau 199-203, 26122,
Oldenburg, Germany
Tel: 00 49 441 2188 92142

Gold-Bar Feed Supplements LLC*
783 Eagle Boulevard,
Shelbyville, TN 37160, USA
Tel: 001 877 618 6455

Johnstone Wallace Fuels, Castle Douglas
Abercromby Industrial Park,
Castle Douglas, Dumfriesshire
DG7 1BA
Tel: 01387 750747

Johnstone Wallace Fuels, Dumfries
Dargavel Stores,
Lockerbie Road, Dumfries,
Dumfriesshire DG1 3PG
Tel: 01387 750747

Johnstone Wallace Fuels, Stranraer
Droughduil, Dunragit,
Stranraer DG9 8QA
Tel: 01387 750747

Phoenix Feeds, a division of Carrs Billington Agriculture (Sales) Ltd
1 Station Park, Ramsgreave
Road, Blackburn,
Lancashire BB1 9BH
Tel: 01254 240888

Reid & Robertson, a division of Carrs Billington Agriculture (Sales) Ltd
Livestock Auction Mart,
Whiteford Hill, Ayr KA6 5JW
Tel: 01292 619229

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 PA34 4SD
Tel: 01631 566279

Scotmin
13 Whitfield Drive, Heathfield
Industrial Estate, Ayr KA8 9RX
Tel: 01292 280 909

Silloth Storage Company*
Station Road, Silloth,
Wigton, Cumbria CA7 4JQ

Wallace Oils
Kingstown Broadway,
Kingstown Industrial Estate,
Carlisle CA3 0HA
Tel: 01228 534 342

Wallace Oils
Tyne Mills Industrial Estate,
Hexham, Northumberland
NE46 1XL
Tel: 01434 600404

Wallace Oils
Lancaster Mill, Lansil Way
Lancaster, Lancashire LA1 3QY
Tel: 01524 599333

Wallace Oils
Lakeland Agricultural Centre
Cockermouth, Cumbria
CA13 0QQ
Tel: 01900 828800

Wallace Oils
High Mill, Langwathby,
Penrith, Cumbria CA10 1NB
Tel: 01768 889899

Workware
Kingstown Broadway,
Kingstown Industrial Estate,
Carlisle CA3 0HA
Tel: 01228 591 091

ENGINEERING

Bendalls
Brunthill Road, Kingstown
Industrial Estate, Carlisle
CA3 0EH
Tel: 01228 526 246

R Hind
Kingstown Broadway,
Kingstown Industrial Estate,
Carlisle CA3 0HA
Tel: 01228 523 647

Carrs MSM
Unit 1 Spitfire Way, Hunts
Rise, South Marston Park,
Swindon, Wiltshire SN3 4TX
Tel: 01793 824 891

Chirton Engineering
Unit 4A, High Flatworth,
Tyne Tunnel Trading Estate,
North Shields, Tyne & Wear
NE29 7SW
Tel: 0191 296 2020

Wälischmiller Engineering GmbH
Schießstattweg 16, 88677
Markdorf, Germany
Tel: 0049 7544 95140

NuVision Engineering, Inc
2403 Sidney Street, Suite
700, 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

* joint venture company
** associate company

Registered Office and Advisers

Registered Office
Carr's Group plc
Old Croft, Stanwix,
Carlisle
CA3 9BA
Registered No. 98221

Chartered Accountants and Statutory Auditors
PricewaterhouseCoopers LLP
Central Square South,
Orchard Street,
Newcastle upon Tyne
NE1 3AZ

Bankers
Clydesdale Bank PLC
82 English Street,
Carlisle
CA3 8HP

The Royal Bank of Scotland PLC
37 Lowther Street,
Carlisle
CA3 8EL

Financial Adviser and Broker
Investec Bank (UK) Ltd
30 Gresham Street,
London
EC2V 7QP

Financial and Corporate PR Advisers
Powerscourt
1 Tudor Street,
London
EC4Y 0AH

Solicitors
Hill Dickinson LLP
1 St Paul's Square,
Liverpool
L3 9SJ

Registrars
Link Asset Services
The Registry,
34 Beckenham Road,
Beckenham,
Kent
BR3 4TU

Dormant Subsidiaries at 1 September 2018

Company Name	Registered and Located	Ownership
B. E. Williams Ltd	England and Wales	51%[12]
Caltech Biotechnology Ltd	England and Wales	100%
Carrs Animal Feed Supplements Ltd	England and Wales	100%
Carrs Feeds Ltd	England and Wales	51%[12]
Carrs Fertilisers 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%[12]
Greens Flour Mills Ltd	England and Wales	100%
Horse and Pet Warehouse Ltd	Scotland	51%[12]
Johnstone Fuels and Lubricants Ltd	Scotland	51%[12]
Pearson Farm Supplies Ltd	England and Wales	51%[12]
Phoenix Feeds Ltd	England and Wales	51%[12]
R Hind Ltd	England and Wales	100%
Reid and Robertson Ltd	Scotland	51%[12]
Robert Hutchison Ltd	England and Wales	100%
Safe at Work Ltd	England and Wales	51%[12]
Scotmin Nutrition Ltd	Scotland	100%
Simarghu Ltd	England and Wales	51%[12]
Walischmiller Solutions Ltd	England and Wales	100%
Wallace Oils Ltd	England and Wales	51%[12]
WM. Nicholls and Company (Crickhowell) Ltd	England and Wales	51%[12]

[12] 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