Carr's Group plc

GROWTH THROUGH INNOVATION & TECHNOLOGY

Annual report and accounts

2019

Carr's is an international business at the forefront of innovation and technology.

The Group is a global leader in the supply of value-adding products and services to customers in the Agriculture and Engineering sectors.

Strategic Report

Corporate Governance

Financial Statements

Agriculture

The Agriculture division includes a livestock supplementation business which manufactures feed blocks, boluses and other trace element supplements from locations across the UK, US 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 over 40 country stores and depots.

See page 18

Engineering

The Engineering division designs and manufactures specialist equipment and components, robotic goods and remote handling equipment, and provides technical services, from five 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, defence and oil and gas markets.

See page 24

HIGHLIGHTS

A year of strong performance

FINANCIAL

£403.9m
Revenue

18	£403.2m
17	£346.2m

4.75p
Dividend Per Share

18	4.5p
17	4.0p

£18.9m
Adjusted Operating Profit*

18	£17.5m
17	£12.1m

£17.2m
Reported Operating Profit

18	£16.4m
17	£10.7m

£18.0m
Adjusted Profit Before Tax*

18	£16.6m
17	£11.4m

£16.3m
Reported Profit Before Tax

18	£15.5m
17	£10.0m

14.6p
Adjusted Earnings Per Share*

Year	Adjusted Earnings Per Share*
18	13.9p
17	8.9p

13.1p
Basic Earnings Per Share

Year	Basic Earnings Per Share
18	13.0p
17	7.7p

*Adjusted results are after adding back amortisation of acquired intangible assets and non-recurring items including acquisition costs.

OPERATIONAL HIGHLIGHTS

- Acquisition of Animax in September 2018, enhancing the range of animal supplementation products offered by the Group.
- Acquisition of NW Total in June 2019, bringing further technical engineering capabilities into the Group, achieving synergies within the Engineering division and adding new customers in the nuclear defence sector.
- Acquisition of reputable Cumbrian all-terrain vehicle dealership in July 2019, increasing the range of specialist farming machinery available to our core farming customer base.
- Implementation of new Engineering divisional structure consisting of Global Robotics, Global Technical Services and UK Service and Manufacturing.
- Significant contract wins for our Global Robotics business to supply equipment into the USA.
- Award of significant funding from the US Department of Energy to develop 'passive cooling' safety technology carrying the potential to be retrofitted to existing nuclear facilities.

AT A GLANCE

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

See page 18

The Agriculture division develops and manufactures a range of innovative livestock supplementation products under highly regarded brands which are distributed to customers globally.

The division also services UK farming and rural communities through a network of retail stores, supplies specialist equipment and machinery, and distributes fuels.

Locations

Our Supplements business develops and manufactures products from three sites in the UK, six sites in the USA and one site in Germany. These products are sold through a vast distribution network across the UK, Europe, North America, South America and Australasia.

Our UK Agriculture business operates predominantly across the north of England and southern Scotland from over 40 retail stores, machinery distributorships and fuel depots.

Customer Base

Our customer base includes leading livestock farmers across the globe in the dairy, beef, sheep, pig and equine sectors.

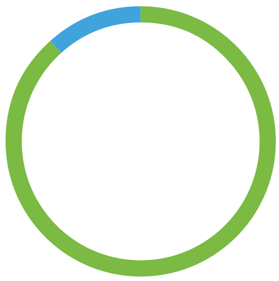
Brands

Our branded product ranges are the result of extensive research and development and include feed blocks sold under the Crystalyx®, Horslyx®, SmartLic® and Megastart® brands, and boluses sold under the Tracesure® and Allsure® brands.

Locations

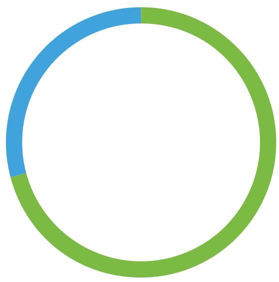
54	6	1
UK	USA	Germany

Revenue by division



Agriculture	£357.4m
Engineering	£46.5m

Adjusted operating profit by division



Agriculture	£13.6m
Engineering	£5.3m

GROUP OVERVIEW

1831	1,241	71
Founded	Employees	Global locations*

* Including central offices

See page 24

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

Its diverse range of products and services includes robotic manipulators and remote handling equipment, life-of-plant extension technologies, radiation protection and decontamination services, equipment condition monitoring, specialist design and fabrication and precision machining.

Locations

Our Engineering division is spread across eight key sites globally; five in the UK, two in the USA and one in Germany. From these sites we supply products and services worldwide across Europe, North America, South America, Asia, Africa and Australasia.

Customer Base

Our customers include global businesses and government bodies across nuclear, energy, pharmaceutical and utilities industries worldwide.

Product ranges

Our range of innovative products and services include TELBOT® remote handling equipment, MSIP® life-of-plant extension technology, Power Fluidics™ waste mobilisation systems and nuclear decontamination services. We also supply specialist design, fabrication, testing and precision machining services.

Locations

5	2	1
UK	USA	Germany

GROWTH REMAINS ON TRACK

> We are pleased to have delivered a strong performance for the year, achieving record levels of profitability and significant strategic progress despite challenging market conditions.

CHRIS HOLMES
Chairman

Review of the year

For the year ended 31 August 2019, the Group delivered a financial performance moderately ahead of the Board's expectations.

The period saw further investment across both our Agriculture and Engineering divisions to enhance our capabilities and position the Group for further growth. This investment was complemented by acquisitions made in each division, and the successful implementation of measures designed to improve efficiencies across our businesses.

Our Agriculture division performed well in challenging market conditions. Unseasonable mild and dry weather during winter and spring impacted sales volumes in the UK and across Europe, which was in stark contrast to the colder weather experienced during the spring of 2018. Consistent wet weather in the USA also reduced demand for feed blocks, impacting sales volumes. Despite the challenging weather conditions, its impact on profitability was substantially mitigated through various cost savings, including lower central costs, together with better procurement and manufacturing efficiencies which, combined with the contribution from Animax, acquired in September 2018, enabled the division to report increased profits. We were also able to make good progress strengthening our research and development capabilities, particularly through our new facilities at Animax.

Our Engineering division delivered another strong performance, building on the momentum of the previous year. Towards the end of the year, we brought together our existing and recently acquired businesses through the establishment of a new divisional structure comprising Global Robotics, Global Technical Services and UK Service and Manufacturing (replacing our Remote Handling, USA Engineering and UK Manufacturing businesses respectively). The new structure is designed to realise synergies, improve efficiencies and better align our products and services with the markets in which we operate.

In June 2019, we acquired NW Total, a service and manufacturing company providing value-adding solutions to the nuclear defence, nuclear decommissioning, nuclear power generation and other highly regulated markets, for a total cash consideration of up to £9.6 million. The acquisition enhances our offering and provides significant opportunities, particularly in the nuclear defence market.

We will continue to assess acquisition opportunities across both of our divisions, which align to our strategy.

Financial review

Revenue for the year increased by 0.2% to £403.9m (2018: £403.2m). Adjusted operating profit, which is before amortisation of acquired intangible assets and non-recurring items, was up 8.4% to £18.9m (2018: £17.5m), with Agriculture contributing £13.6m (2018: £13.4m) and Engineering £5.3m (2018: £4.1m). Reported operating profit was up 4.8% to £17.2m (2018: £16.4m). Non-recurring items include past service costs relating to pensions GMP equalisation totalling £1.1m, amortisation of acquired intangible assets totalling £0.8m, acquisition related costs totalling £0.5m, and restructuring costs totalling £0.4m. These were offset by adjustments to contingent consideration totalling £1.1m, giving a net total of £1.7m.

Adjusted profit before tax was up 9.0% to £18.0m (2018: £16.6m) and reported profit before tax was up 5.2% at £16.3m (2018: £15.5m). Basic earnings per share were up by 0.8% to 13.1p (2018: £13.0p), with fully diluted earnings per share of 12.8p (2018: 12.7p) and adjusted earnings per share, excluding amortisation of acquired intangible assets and non-recurring items, up 5.0% to 14.6p (2018: 13.9p).

Net debt at 31 August 2019 was £23.8m (2018: £15.4m). Net debt has increased by £12.0m in relation to the acquisition of Animax and NW Total, which was offset by a small cash inflow of £3.6m for the Group.

Dividend

The Board is proposing a final dividend of 2.5p per ordinary share, which together with the two interim dividends of 1.125p per ordinary share paid on 31 May 2019 and 4 October 2019, make a total of 4.75p per share for the year (2018: 4.5p). The final dividend, if approved by the Shareholders, will be paid on 10 January 2020, to Shareholders on the register on close of business 29 November 2019, and the shares will go ex-dividend on 28 November 2019.

Corporate governance

During the year we continued to review our governance framework in the light of the new Corporate Governance Code 2018, which has applied to the Company from 1 September 2019. In readiness for this, we took the decision that I would stand down from the Board, which was announced in December 2018. We have also reviewed our remuneration policies to ensure that these remain in accordance with best practice and taken steps to enhance how we engage with stakeholders and employees. As a result, we are confident that we should be fully aligned with the requirements of the new Code. As a Group, we remain committed to a robust and transparent governance framework, which promotes the interests of our stakeholders.

This is my last set of financial results as Chairman of the Group. It has been an honour and a privilege to work for Carr's, first as Managing Director of the Agriculture business, then as CEO of the Group, and for the last six years to serve as Chairman. As announced on 9 October 2019, following a comprehensive search process led by Senior Independent Director John Worby, Peter Page will take over the role of Chairman following our AGM in January 2020. I am confident Peter is an ideal candidate to take over as Chairman and I wish him and the executive management team the very best for the future. I know that under their leadership Carr's will continue to go from strength to strength.

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 expand the Group's geographic footprint, delivering growth across both divisions.

We remain confident in the prospects of the Agriculture division in the medium term and continue to plan for Brexit with our customers, suppliers and trading partners. In the UK, farmer confidence is becoming increasingly impacted by uncertainty around Brexit, in particular the future trade arrangements the UK will have with the EU and the rest of the world. In the USA, while the wet weather conditions this year impacted sales volumes, an emergence from longstanding drought across large agricultural regions should be beneficial for feed block sales in the medium term. We are pleased with the progress made with the integration of Animax since its acquisition in September 2018 and are working towards establishing the business as a centre of excellence for innovation and product development across the division. We will continue to invest in the development of our international supplements business delivering research based value-enhancing products to farmers globally.

In our Engineering division, order books remain strong supported by improved efficiencies and a strengthened management team. This, combined with the strategic progress during the year, provides confidence in the medium term. Due to contract phasing we expect reduced activity in Global Technical Services in the coming year, but confidence in the business is unaffected due to its strong order book. We anticipate an improved performance in Global Robotics this year, against reduced activity levels last year. The acquisition of NW Total also provides new opportunities for the division, particularly in the nuclear defence market. Our strategy for the division continues to be the development of IP-rich businesses delivering high value solutions into regulated markets, supplemented by acquisitions where appropriate.

Trading in the new financial year has started in line with the Board's expectations in Agriculture. In Engineering, we have had a slower start than expected due to contract phasing, however, order books are strong and we remain confident in the full year outlook. Whilst we are fully aware of the challenges in our global markets, investments in people, facilities and new product development, supported by our strategic acquisitions, position the Group well for sustained future growth.

Finally, on behalf of the Board I would like to thank our colleagues across the Group who, alongside our strategic partners and other supporting stakeholders, have been instrumental in helping to deliver another strong performance.

Chris Holmes

CHRIS HOLMES DL
Chairman
20 November 2019

MARKET OVERVIEW

Our vision is to be recognised as a truly international business at the forefront of technology and innovation in our chosen markets.

AGRICULTURE

Market Trend

Production growth

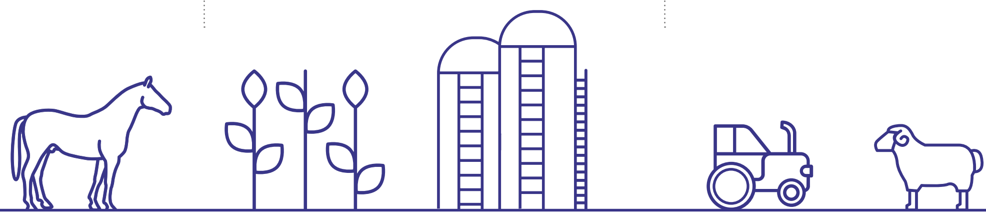
In recent years production has grown strongly across agricultural commodities, reaching record levels in many sectors. While global consumption per capita of many products is expected to remain flat over the coming decade, an increasing world population will continue to underpin demand.

What this means for Carr's

Global agricultural production is projected to grow by around 20% over the coming decade, but with considerable variation across regions. Carr's is responding to this by building a globalised business footprint with manufacturing capability across the USA and Europe, and increasing market penetration worldwide.

20%

Forecast increase in agriculture production over the next decade



Food demand

Much of the additional food demand will originate from regions with high population growth such as Africa, India, and the Middle East. Demand for animal products such as dairy is set to expand fastest in the coming decade.

There is a clear need to increase global dairy production in a sustainable manner. Carr's is positioning itself to lead in dairy nutrition. While exploring opportunities in the dairy sector across the USA, EU and UK, the business is focusing on improving the efficiency of stock rearing in the sector.

2.5%

Forecast annual increase in demand for dairy products

Resource constraints

In the coming decades, resource constraints over water, soil, biodiversity and land will increasingly affect agricultural systems. If global population and food consumption trends continue, by 2050 the world will need 60% more food than is available today. Arable land is limited, and so most of this additional production will have to come from sustainable agricultural intensification.

See page 18

The efficiency with which animal products can be produced is becoming increasingly critical. In short, the world needs to produce 'more from less'. Carr's is increasingly focused on sustainable intensification and some of the key elements of precision farming in livestock production. The Group is investing into its global agricultural research capability and developing a range of animal supplements that can help farmers deliver optimal efficiency.

60%

More food required by 2050

ENGINEERING

Market Trend

Nuclear decommissioning

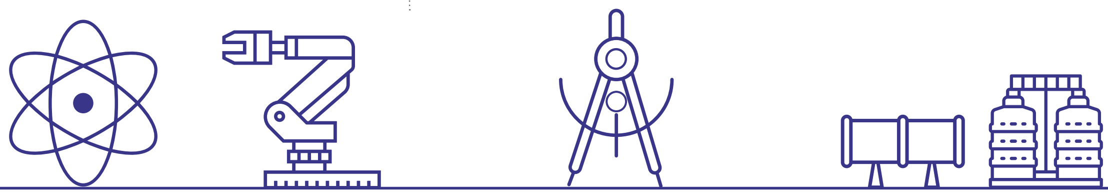
The requirement for nuclear decommissioning and legacy waste clean-up operations continues to grow globally at approximately 12% per annum. It is expected that hundreds of nuclear reactors will be retired from use in coming decades.

What this means for Carr's

The increase in levels of decommissioning and legacy clean-up operations globally will provide significant opportunities for Carr's to deliver innovative engineering solutions worldwide. Continued growth in the sector will enable investment in new technologies which will ensure that Carr's remains at the forefront of industry standards.

12%

Forecast annual global growth spend in nuclear decommissioning



Defence

Investment is set to continue in the UK defence sector through major national projects such as the £31bn Dreadnought programme, supporting the UK's nuclear deterrent, and the ongoing nuclear submarine decommissioning programme.

Continued long term investment by the UK Government in defence provides significant future opportunities to utilise technologies across the Group. Carr's has acquired a track record of delivering products and services into this highly regulated market and is well placed to further develop its divisional capabilities to support customers in the sector.

£31bn

Value of UK Dreadnought nuclear submarines programme

Oil and gas

There is now greater stability in oil and gas markets, compared to the volatility seen since the downturn in 2014/2015.

Improved confidence across oil and gas markets has given rise to increased upstream and downstream investment. This provides significant opportunity for Carr's to deliver products and solutions into the sector.

6%

Forecast annual capital investment growth in oil and gas

See page 24

OUR BUSINESS MODEL

Diversified, innovative, sustainable

Our resources

Talented people
We place great value in our 1,200 strong workforce and are committed to continuous development. People are critical to our success and we strive to provide environments in which our employees can reach their potential.

Global distribution network
As a Group we have a diverse customer base spanning over 50 countries worldwide. Our strategy is to target markets with the potential for growth on an international scale.

Deep knowledge
We have a deep focus on innovation and technology. Our businesses possess a wealth of specialist knowledge and we continue to invest in the development of new products and solutions which can add value to our customer base.

Well invested
We continue to invest in our businesses to ensure that they remain best placed to deliver our strategic objectives.

Long-term, trusted relationships
We are proud to have built longstanding and trusted relationships founded upon the quality of our offering, our organisational culture and our levels of customer service.

Market leading
Our businesses have market leading brands and products which are recognised internationally including Crystalyx®, AminoMax®, Horslyx®, Tracesure® and Allsure® in Agriculture and TELBOT®, MSIP® and Powerfluidics™ in Engineering.

Culture and values
As a Group we have a clear set of values and are committed to investing in and engaging with our employees and other stakeholders to ensure that our businesses remain ethically and sustainably managed.

How we create value

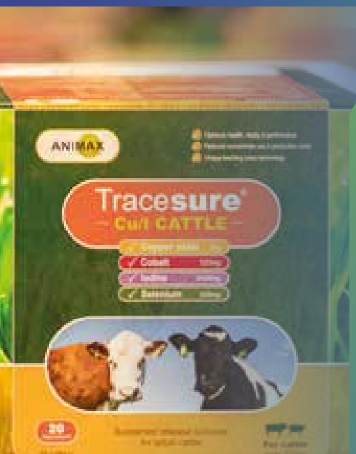
We continue to grow by investing in our people and assets, and through carefully considered acquisitions which align with our strategy. We apply this approach across both our Agriculture and Engineering divisions, centred around a strong focus on innovation and technology.

INVESTMENT IN...

Innovation and technology

During the year we invested in acquisitions across both divisions which have enhanced the innovative range of products and solutions offered by the Group.

Acquisitions



Agriculture

In September 2018 the Group acquired Animax, a manufacturer of market leading trace element supplementation products for livestock. The business has increased the range of value-adding products which can be distributed to farming customers globally.

See page 21

Engineering

The Group's acquisition of NW Total Engineered Solutions in June 2019 has brought new technical competencies to our Engineering division and opened up significant opportunities, particularly in nuclear defence markets.

See pages 12-13

Who we create value for

Employees
We continue to expand our employee training and development offering and enhance our engagement initiatives.

Training days delivered in 2019
722

Customers
Our success can be measured by the level of custom we continue to attract and retain through our leading product ranges and excellent service levels.

Number of direct UK Agriculture customers
17,000

Investors
Our strategy is designed to deliver sustainable growth. During the year we generated increased earnings across the Group which has enabled us to increase the dividends payable to our investors.

Dividend per share
4.75p
5.6% increase

Partners
As a Group we enjoy close relationships with a range of trusted strategic partners across the UK, USA and Europe.

Number of joint ventures and associates
7

Communities
Across the Group we believe in supporting charitable initiatives and the communities in which we operate.

Charitable donations
£41k

Environment
We believe in ethical business practices including taking steps to minimise our environmental impact.

Reduction in CO_2 emissions globally
22%
per £m turnover

OUR STRATEGY

Our vision is to be recognised as a truly international business at the forefront of innovation and technology in our chosen markets

	Strategic objectives	2019 achievements
01	BUILD BUSINESS VALUE BY FOCUSING ON MARKETS WITH GROWTH POTENTIAL	Our acquisition of Animax in September 2018 enhanced our position in the livestock supplementation sector by increasing the range of value-adding products we can offer to farming customers. During the year we also progressed the development of our new Pick Block plant in Oldenburg, Germany, which is expected to begin manufacturing products for poultry farmers during 2020. In June 2019, we acquired NW Total Engineered Solutions, which has brought strong customer relationships to the Group together with significant opportunities in nuclear defence markets for our Engineering division.
02	GROW AND DIVERSIFY OUR INTERNATIONAL FOOTPRINT	We have made good progress during the year in developing our Supplements business across Europe, and Canada and we continue to build our presence in New Zealand. We also enhanced our geographic reach in the USA through our new manufacturing plant in Tennessee. The year has also seen our Global Robotics business achieve significant success in the USA building upon the reputation of our Global Technical Services business.
03	DIFFERENTIATE OURSELVES THROUGH INNOVATION AND TECHNOLOGY	In Agriculture, we have established a centre of excellence for product development in our new facilities at Animax. We have also improved manufacturing processes to drive efficiencies and improved product quality. Collaborative innovation is also being driven in our Engineering division through the establishment of a central management team. During the year we were awarded significant funding by the US Department of Energy for the development of the Group's passive cooling technology, which represents a significant future opportunity.
04	LEAD IN OUR CHOSEN MARKETS	Our acquisitions during the year have brought new products and services to the Group which complement our existing offering of recognised industry leading brands and value-add solutions. During the year we strengthened management teams across the Group with a view to providing a platform for continued international growth. We also restructured our Engineering division to better align our products and services with our chosen markets to drive further growth.

Future priorities

In Agriculture, we aim to increase sales volumes across our Supplements business in the UK, Irish, European and New Zealand dairy sectors, and to enhance our market share across beef sectors in the USA and Canada. We are also looking forward to bringing our new Pick Block product to the poultry market in 2020.

Our Engineering division continues to focus on global nuclear and oil and gas markets, with a particular focus by our Global Robotics business on opportunities in the USA, Europe and Japan. The acquisition of NW Total provides a strong foothold into the UK nuclear defence market where we consider significant opportunities exist.

We will continue to develop our international presence in Agriculture across Europe, the USA, Canada, and Australasia through strategic partnerships and enhanced business development initiatives focusing on building relationships and maintaining excellent levels of customer service.

In Engineering we will continue to focus on global opportunities, particularly across the USA, Europe and Asia. Our new divisional structure aligns our products and services with customers in our chosen markets, and enhances our international offering.

Key to the Group's future is our continuous investment in the development of our intellectual property and product ranges, which is achieved through our culture of collaboration and the sharing of know-how across each of our divisions.

We will also continue to identify suitable acquisitions which can be integrated to achieve synergies and enhance the range of products and solutions we offer to customers as a Group.

We will continue to invest in our people and in the development of new products and technologies, and to identify strategic acquisitions, which complement and enhance our range of products and services across both Agriculture and Engineering. Our collaborative approach and organisational culture will ensure that we continue to offer leading levels of service to our customer base globally.

Key performance indicators

-1.8%
Underlying sales growth/decline
2018: 13.6%

13.4%
Gross margin
2018: 13.2%

4.7%
Adjusted Group operating margin
2018: 4.3%

£8.9m
Free cash flow
2018: £9.5m

13.8%
Return on net assets
2018: 13.7%

STRATEGY IN ACTION

EXPANDING OUR EXPERTISE & CAPABILITIES

In June 2019, the Group completed its acquisition of NW Total Engineered Solutions Ltd, a UK-based supplier of bespoke process equipment packages and on-site technical services to customers in the nuclear defence, nuclear decommissioning, energy, utilities and pharmaceutical sectors, for up to £9.6m.

Located in Barrow-in-Furness, Cumbria, NW Total is a trusted partner to some of the world's largest companies across nuclear sectors, having developed a reputation for excellence over the last 25 years. The acquisition complements the Group's existing capabilities, enhancing the range of services and depth of knowledge within the Engineering division, and brings long-standing relationships with key customers, particularly in the nuclear defence sector.

The acquisition will also bring significant synergy benefits. Being part of a larger group will provide NW Total with access to specialist manufacturing capabilities and greater financial and technical resources. The acquisition will also enable partnering with existing Carr's businesses on complex multi-disciplined projects, which best utilise the innovative range of value-added solutions offered by the Group.

45
Employees

25 years
Long term customer relationships

To find out more visit **www.nwtotal.co.uk**

> Being part of Carr's Group will provide NW Total with access to specialist manufacturing capabilities and greater financial and technical resources. We are looking forward to helping drive further growth across the division.
>
> — Ian Brown
> Managing Director, NW Total

"We have seen a strong financial performance this year across both divisions against challenging market conditions for Agriculture. We are also pleased to report significant strategic progress, including acquisitions across both Agriculture and Engineering.

TIM DAVIES
Chief Executive Officer

DELIVERING ON OUR OBJECTIVES

Introduction

Our financial performance during the year was moderately ahead of our expectations. We have made significant progress against our strategic objectives, investing both in our facilities and in our research and development capabilities, as well as through acquisitions.

During the year we acquired Animax, expanding our Supplements business, and NW Total, which provides new opportunities, particularly in the nuclear defence markets. Both businesses align with our strategy to grow internationally in high value, growing market sectors. We continue to identify suitable value-enhancing acquisitions, which complement our existing operations and enable us to invest in technology and innovation.

Agriculture

In the context of a particularly challenging market driven by unseasonal weather, in marked contrast to the previous year, and uncertainty created by Brexit, our Agriculture division has delivered a robust performance.

During the year, revenue was down 0.6% to £357.4m (2018: £359.6m). Adjusted operating profit was up 1.6% to £13.6m (2018: £13.4m) and reported operating profit was down 0.8% to £12.9m (2018: £13.0m). This included the contribution from Animax of £0.6m to adjusted operating profit in its first year of trading.

Engineering

The Engineering division has seen another strong financial performance. This has been achieved alongside the delivery of strategic objectives and supported by a new organisational structure under the leadership of the divisional Managing Director. The new structure better aligns the division with our customers and the markets in which we operate, and the creation of a central divisional management team brings closer collaboration and improved business development.

During the year, revenue was up 6.7% to £46.5m (2018: £43.6m). Adjusted operating profit was up 30.6% to £5.3m (2018: £4.1m) and reported operating profit was up 49.4% to £5.1m (2018: £3.4m). This was led by improved performances in UK Service and Manufacturing and Global Technical Services offset by a weaker performance in Global Robotics.

For further information on the performance of our Agriculture and Engineering divisions, see the divisional reviews on pages 18 to 29.

Outlook

Agriculture

We remain confident in the medium-term prospects of the UK Agriculture business. In the short-term we continue to prepare for Brexit given the ongoing uncertainty, which is increasingly impacting farmer confidence and delaying new investment decisions.

In the USA, following a period of sustained drought, we expect the wetter weather this year to provide a positive impact, as significant areas in the USA become more capable of supporting livestock grazing which is the primary method of nutrition supported by our range of supplementation products.

We remain committed to developing our global supplements business, which has been supported by our acquisition of Animax. The acquisition has enhanced our range of value-adding products which can be distributed internationally, has improved our ability to innovate and develop new products, and is enabling us to realise synergies in our wider Agriculture division.

We continue to consider acquisition opportunities which align with our strategy.

Engineering

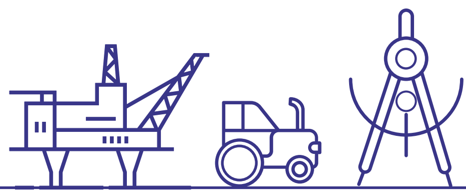
We remain confident in the prospects for the Engineering division. Our UK Service and Manufacturing business continues to perform well, and order books remain strong. The acquisition of NW Total enhances the range of specialist services we offer and provides good opportunities in the nuclear defence market.

Following the award of a number of contracts in the USA, the order book in our Global Robotics business has strengthened and we expect an improved performance in the current financial year. We also see global opportunities, particularly in Europe and Japan, over the short to medium term, supporting our confidence in this business.

Following a very strong year for our Global Technical Services business, with the award of two significant MSIP® contracts, we expect a reduced performance in the coming year owing to the phasing of these multi-year projects. However, in the medium term, the business has a strong order book.

Our reorganised divisional structure provides a better combined offering which is more closely aligned to our customers and the markets in which we operate, and the division is well placed for further growth. We also continue to consider acquisition opportunities that are strategically aligned.

TIM DAVIES
Chief Executive Officer
20 November 2019



New feed block plant Tennessee, USA

“This year was the first of full production at our new low moisture feed block plant in Silver Springs, Tennessee. The facility has increased the geographic reach of our unique range of feed block products into cattle markets across eastern and south eastern states of the USA.

£18.9m
Group adjusted operating profit

£403.9m
Group revenue

FINANCIAL REVIEW 2019

NEIL AUSTIN
Group Finance Director

STRONG RESULTS

> A robust performance in Agriculture and further improvements across Engineering have delivered a strong set of results for the year.

3.8%
Agriculture adjusted operating margin

11.5%
Engineering adjusted operating margin

Current and Future Development and Performance

The key features of the year have been the robust performance in Agriculture, given adverse weather conditions experienced in the UK and USA, and further improvement in the performance in Engineering. The results include 11 months of Animax, acquired in September 2018, and 2 months of NW Total, acquired in late June 2019.

Revenue

Reported revenues from continuing operations were £403.9m, 0.2% ahead of last year (2018: £403.2m).

Alternative Performance Measures

This Financial Review and other parts of the strategic report include both statutory and alternative performance measures (APMs). The principal APMs measure profitability excluding amortisation of acquired intangibles and items regarded by the Directors as non-recurring. In management's view, these APMs, which are generally referred to as 'adjusted' measures, better reflect the underlying performance of the business. These 'adjusted' measures are used in the management and measurement of business performance on a day-to-day basis and are also used in assessing performance under the Group's incentive plans. A glossary of APMs is included towards the end of the report and accounts on page 134.

Operating Profit

Adjusted Group operating profit of £18.9m is up 8.4% on last year (2018: £17.5m). As a percentage of revenues, the Group's adjusted operating margin is 4.7% compared to 4.3% in 2018. Reported operating profit was £17.2m (2018: £16.4m).

These increases are principally due to a better contract mix in Engineering together with the contributions from Animax and NW Total which helped offset the impact of the weather in Agriculture.

Adjusted operating profits per division and as a percentage of divisional revenues are as opposite:

Adjusted Operating Profit	2019 £m	2019 %	2018 £m	2018 %
Agriculture	**13.6**	**3.8**	13.4	3.7
Engineering	**5.3**	**11.5**	4.1	9.4
Total	**18.9**		17.5	

The Group's share of the adjusted post-tax result in its associates and joint ventures was £2.7m, compared to £3.2m in 2018. The result reflected a fall in its associates' profitability, driven by the adverse winter conditions experienced in the UK, and an increase in joint venture profitability, primarily driven by a strong full year performance of the Group's low moisture feed block facility in Tennessee.

Amortisation and Non-Recurring Items

The Group incurred £1.7m in respect of amortisation of acquired intangibles and non-recurring items in the year. This included acquisition costs of £0.5m, primarily related to the acquisitions of Animax and NW Total. There was also a charge of £1.1m additional pension costs relating to the equalisation of GMP, £0.3m of which was in the Group's associate, following the court case against Lloyds as previously reported. Amortisation of acquired intangible assets totalled £0.8m and restructuring and closure costs totalled £0.4m. These changes were offset by a credit of £1.1m relating to adjustments to contingent consideration, which reflects changes to estimates of the amounts of contingent consideration payable primarily in relation to the acquisitions of NuVision and Animax.

Finance Costs

Net finance costs of £0.9m were broadly similar to the prior year (2018: £0.9m). Interest cover was 19.4 times based on reported profit (21.4 times on an underlying profit basis) compared to 18.2 times in 2018.

Profit Before Tax

Adjusted profit before tax at £18.0m was 9.0% higher than in the previous year (2018: £16.6m). Reported profit before taxation was £16.3m (2018: £15.5m).

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 19.3% (2018: 15.1%). A reconciliation of the actual total tax charge to the standard rate of corporation tax in the UK of 19% is given in note 8 to the financial statements. The prior year benefited from a reduction in US tax rates.

Earnings Per Share

The profit attributable to the equity holders of the Company amounted to £12.0m (2018: £11.9m), and basic earnings per share was 13.1p (2018: 13.0p), an increase of 0.8%.

Adjusted earnings per share of 14.6p (2018: 13.9p) is calculated by dividing the adjusted profit attributable to equity holders for the year by the weighted average number of shares in issue during the year.

The increase of 5% reflects the 9% growth in adjusted profit before taxation partly offset by the higher effective tax rate in 2019.

Acquisitions

The Group has made two key acquisitions in the year.

Animax was acquired in September 2018 for a total potential cash consideration of £8.5m, of which £6m was payable upfront with a further amount of up to £2.5m to follow based on future financial performance. The resulting excess consideration over tangible net assets acquired of £4.8m was valued as £3.0m of acquired intangible assets, predominantly intellectual property and brands, and £1.7m of goodwill.

NW Total was acquired in June 2019 for a total potential cash consideration of £9.6m, of which £6m was payable upfront with a further amount of up to £3.6m to follow based on future financial performance. The resulting excess consideration over tangible net assets acquired of £9.8m was valued as £3.5m of acquired intangible assets, predominantly customer relationships and brands, and £6.2m of goodwill.

Further details on the acquisitions are given in note 30 to the financial statements.

Cash Flow and Net Debt

A free cash flow of £8.9m was generated in the year, representing a decrease of 6.2% on £9.5m in the previous year.

Headroom against existing facilities was £22.2m at the year end. The Group's main banking facilities were renewed in November 2018 for a five year period.

Cash flow and net debt	2019 £'000
Operating profit	17,195
Depreciation and profit on disposal	4,780
Amortisation and impairment of goodwill	943
Associates and joint ventures	(2,377)
EBITDA (excluding associates and joint ventures)	**20,541**
Increase in working capital	(5,001)
Other	464
Net operating cash flow	**16,004**
Net interest	(1,098)
Taxation	(2,306)
Cash flow from continuing operations	**12,600**
Maintenance capex	(3,670)
Free cash flow	**8,930**
Expansionary capex	(2,111)
Acquisitions	(10,707)
Dividends received	711
Dividends paid	(4,761)
Loans, finance leases and financing costs	(1,766)
Other	1,270
Cash flows	**(8,434)**
Opening net debt	**(15,359)**
Closing net debt	**(23,793)**

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 84 deferred members and 227 current pensioners.

The valuation on an IAS 19 accounting basis showed a surplus before the related deferred tax liability in the scheme at 31 August 2019 of £7.8m (2018: £10.1m). This is after an actuarial loss of £1.8m (2018: gain of £4.8m) which has been recognised in the Consolidated Statement of Comprehensive Income.

The High Court ruling in the case of Lloyds Banking Group Pension Trustees Ltd v Lloyds Bank plc in 2018 has led to an increase of £0.8m being made to the scheme liabilities through the income statement for past service costs.

N. Austin

NEIL AUSTIN
Group Finance Director
20 November 2019

AGRICULTURE

What we do

The Group's Agriculture division manufactures and supplies feed blocks and supplementation products for livestock, distributes farm machinery, and runs a UK network of rural stores, providing a one-stop shop for the farming community.

Key brands

CRYSTALYX®
HORSLYX®
TRACESURE®
ALLSURE®
AMINOMAX®
SMARTLIC®
MEGALIC®
FLAXLIC®
FEED IN A DRUM®
CARRS BILLINGTON
WORKWARE

Geographic footprint

North America | UK and Europe | New Zealand

How we do it

The Group's Agriculture division comprises two primary sub divisions:

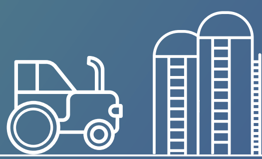
UK Agriculture

We have a significant presence of over 40 country stores across northern England and southern Scotland from which we serve the needs of our core local farming customer base providing a range of retail and animal health products.

Our UK Agriculture business also supplies a broad range of compound and blended feeds for livestock under a number of well respected brands.

From a number of our retail sites we specialise in the supply of farming machinery in the UK including all-terrain vehicles, tractors and combine harvesters which we distribute from seven sites.

The business also supplies fuels across the region from eight depots.



£296.3m

Revenues 2019

Supplements

We manufacture and supply a broad range of innovative animal nutritional supplements under well-respected brands. These include patent-protected feed blocks and boluses which effectively release trace elements into livestock consistently and over periods of up to six months. These products help to maintain animal health and improve performance.

Our feed blocks are manufactured at a variety of wholly-owned and joint-venture facilities located across the UK, Germany and the USA. We manufacture boluses from a wholly owned facility in the UK.

These products are supplied through a large distribution network across the UK, Europe, Middle East, New Zealand and North America.

£61.1m
Revenues 2019

The value we create

£357.4m Revenues	**£13.6m** Adjusted operating profit
17,000 UK farming customers	**784** Employees globally

Agriculture revenues

UK	89.9%
International	10.1%

DIVISIONAL REVIEW
CONTINUED
The year in review

Performance against group strategy

01

Build business value by focusing on markets with growth potential
- Acquisition of Animax enhancing our range of livestock supplements.
- Progress towards launch of Pick Block product range.

02

Grow and diversify our international footprint
- Continued international growth with focus on Europe, USA and New Zealand.
- Enhanced sales team across Canada.

03

Differentiate ourselves through innovation and technology
- Improved manufacturing efficiencies.
- Establishment of centre of innovation excellence for the division at Animax.

04

Lead in our chosen markets
- Added new Allsure® and Tracesure® product ranges.
- Enhanced quality control in Supplements business.

Supplements
Total global feed block sales volumes were down 6.4% compared to last year.

Following a strong first quarter for our USA feed block business, short-term adverse weather conditions impacted sales volumes during the year. Consistently wet weather conditions resulted in plentiful supplies of forage during the year and more conservative purchasing of supplements by farmers. As a result, volumes including joint ventures were down 2.5% on the prior year. In the medium-term, we expect the widespread reduction in drought to result in more land being available for livestock grazing, which provides an opportunity for us to increase feed block volumes in the USA.

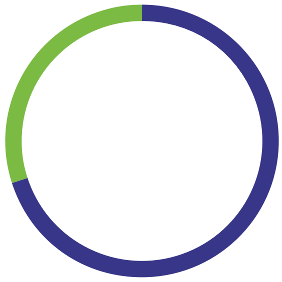
The impact from adverse weather conditions on profitability in the USA during the year was offset by two factors. Firstly, our low moisture feed block plant in Shelbyville, Tennessee delivered a strong performance during its first full year of operation with volumes continuing to grow. This facility has enabled us to expand our geographic footprint and increase our sales to customers across the eastern and south eastern states of the USA. Secondly, we have driven further efficiencies across the USA business, improved procurement processes and made significant improvements in manufacturing efficiencies and quality control.

During the period we increased our presence in the Canadian market, establishing relationships with key distribution partners, expanding our sales team and completing key product registrations. This market can be serviced out of our existing facility in Belle Fourche, South Dakota.

UK feed blocks sales volumes were down 16.4% compared to the prior year, due to unseasonably mild and dry weather experienced during the period in marked contrast to the same period last year. Despite the challenging market conditions, we were able to mitigate the financial impact of these factors through improved efficiencies, strict control of operating costs, including lower central costs, and better procurement.

Feed block sales in our joint venture business based in Germany, Crystalyx Products GmbH, were impacted by similar weather conditions to the UK, with volumes down 8.0% compared to the prior year. During the period we made further progress on our Pick Block plant in Oldenburg, Germany, which will be fully operational in calendar year 2020. This facility produces products which improve poultry welfare standards through environmental enrichment, encouraging birds to demonstrate a wider range of natural behaviours.

Revenue by sub-division



UK Agriculture	£296.3m
Supplements	£61.1m

Our plans to grow our feed block business internationally continue to progress with emphasis on Europe, New Zealand and North America where we see the greatest potential for growth.

We have made significant strategic progress since acquiring Animax Limited, a manufacturer of trace element supplements for livestock, in September 2018. As part of the ongoing integration of the business, we have strengthened the management team, increased focus on new business development and enhanced production efficiencies. A key rationale for the acquisition was to bring Animax's research and development facility into the Group. Through continued integration, this facility will become a centre of excellence in research and development for the Group's Supplements business.

UK Agriculture

Volumes in our feed and fuel businesses declined during the period as a result of the very mild weather reducing demand. Consequently, total compound feed volumes decreased by 10.0%, against a strong comparative period last year. Similarly, volumes in our fuel distribution business were down 6.2% on last year. Effective procurement and good forward positions on raw materials has helped to mitigate the negative impact on profitability of the weather.

Despite the unseasonal weather our network of rural stores reported a 0.9% increase in overall sales during the year, with like-for-like sales increasing 2.1% owing to store rationalisation following the acquisition of Pearson Farm Supplies in October 2017.
In July 2019, we acquired Cumbria based Paul Chuter Agricultural Services Ltd, a regional supplier of all-terrain vehicles, which has increased the range of specialist machinery available to our core farming customers. The business has been integrated into our country store at Cockermouth, Cumbria, to maximise footfall and levels of customer service.

Machinery revenues overall were down 2.8% against a record performance last year. New machinery sales were, however, down 4.6% as ongoing Brexit negotiations continued to impact farmer confidence.

As part of the Group's orderly succession planning, we appointed a new Managing Director for the UK Agriculture business.

27

Research and development trials underway across the Group in 2019

CASE STUDY:
Animax
In September 2018, the Group bolstered its position in animal health through the acquisition of Animax. Based in Suffolk, UK, the business has a strong focus on innovation and specialises in the research, development and manufacture of highly effective and patent-protected supplementation products for livestock. As part of the Group's integration strategy, Animax's research facility is being developed into a centre of excellence for product development across the Agriculture division.

6

Leading product ranges acquired

GROWTH THROUGH

INNOVATION EXCELLENCE

Horslyx® Balancers are carefully formulated for horses to balance the deficiencies in forage and grazing.

Manufactured using the same patent protected process as the Group's Crystalyx® range of products, Horslyx® Balancers ensure that horses receive an ideal supply of vitamins, minerals and trace elements to support optimum health and vitality.

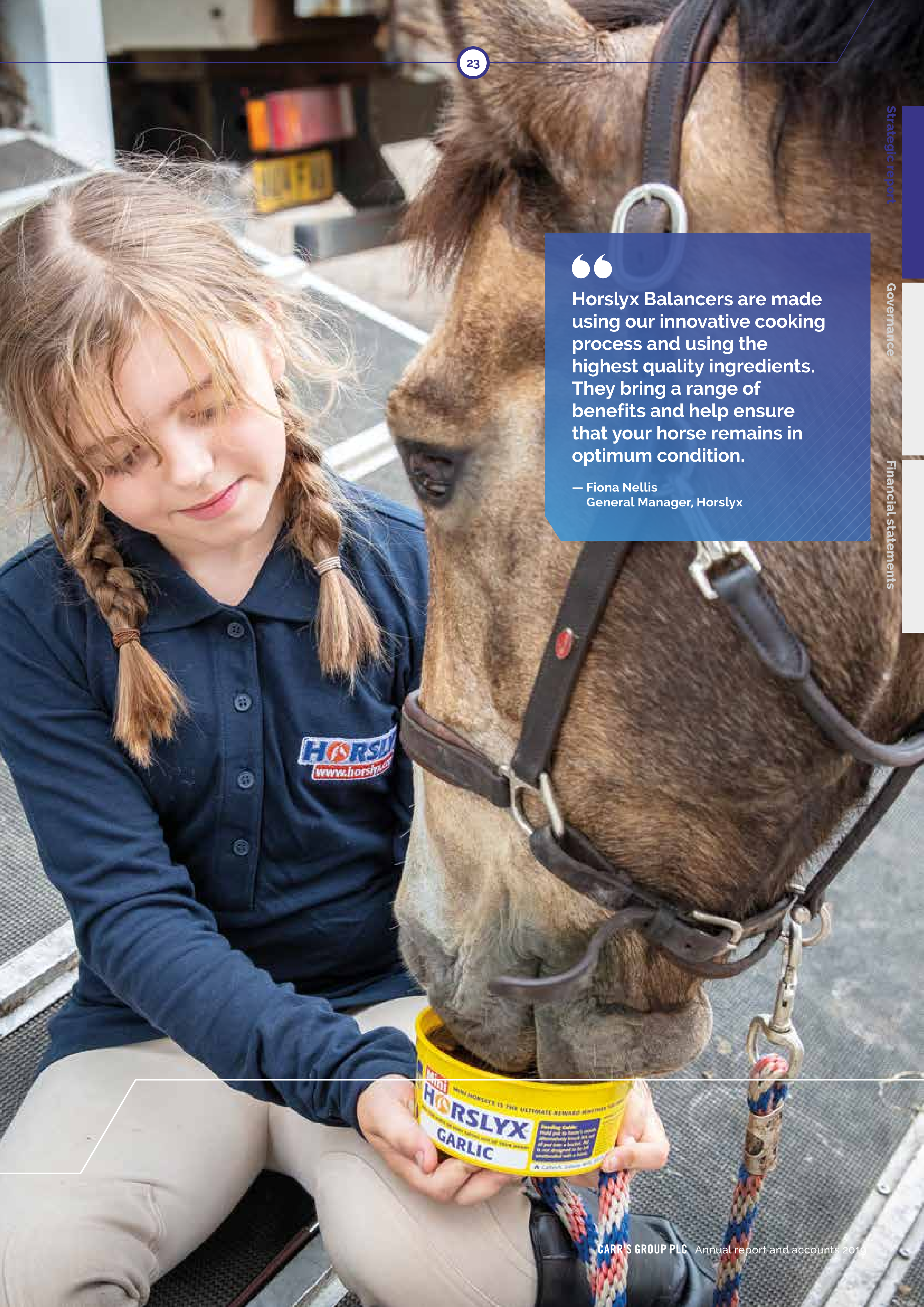
All Horslyx® products are NOPS and UFAS accredited. Ingredients are fully traceable and the Group's manufacturing plant in Cumbria maintains a minimal waste policy.

Carrying a well respected and market leading brand, and with increased sales in the UK and Europe in 2019, Horslyx® Balancers remain an excellent range of products for the Group.

16%
Sales generated overseas

7
Product ranges

To find out more visit
www.horslyx.com



> **Horslyx Balancers are made using our innovative cooking process and using the highest quality ingredients. They bring a range of benefits and help ensure that your horse remains in optimum condition.**
>
> **— Fiona Nellis**
> **General Manager, Horslyx**

ENGINEERING

What we do

The Group's Engineering division designs and manufactures specialist precision components, bespoke equipment, robotic goods and remote handling equipment, and provides technical services, from five sites in the UK, one site in Germany and, two sites in the USA.

These specialised products and services are supplied to customers globally including government bodies and some of the world's largest companies and nuclear site operators.

Our brands

BENDALLS ENGINEERING
CHIRTON ENGINEERING
WÄLISCHMILLER ENGINEERING
HINDSBENDALLS
CARRSMSM
NUVISION ENGINEERING
NW TOTAL

Our global markets

We supply into highly regulated markets including:

- Nuclear decommissioning
- Nuclear power generation
- Defence
- Pharmaceuticals
- Oil and gas

How we do it

The Group's Engineering division comprises three sub divisions:

UK Service and Manufacturing

We operate four facilities across the north of England which design, manufacture and service complex and bespoke equipment.

These facilities specialise in equipment to be supplied into regulated markets including electro-mechanical machinery, process equipment packages, pressure vessels and special purpose fabrications. We also supply a range of on-site technical services through teams of highly qualified personnel.

Our businesses pride themselves on their reputation for quality and service excellence which has led to the establishment of longstanding and trusted customer relationships.

Global Robotics

Our Global Robotics business comprises one facility in the UK, one in Germany and one in the USA. These businesses collectively design, manufacture and supply a broad range of complex robotic and remote handling equipment.

These highly innovative products are delivered predominantly into nuclear markets and are designed to withstand radioactive and other challenging environments.

Through sustained investment in research and development we ensure that our Global Robotics business remains at the forefront of remote handling technology and that our products continue to provide innovative solutions for our global customer base.

Global Technical Services

From our two sites in the USA, we offer a range of engineering applications and technical services which provide innovative solutions across global nuclear industries.

These services include our patent protected Mechanical Stress Improvement Process (MSIP®), Power Fluidics™ technology and a range of decontamination services which are supplied to utilities, OEMs and government contractors worldwide.

Our Global Technical Services business focuses heavily on research and development, and has been engaged by governments to develop solutions to complex problems affecting the nuclear industry.

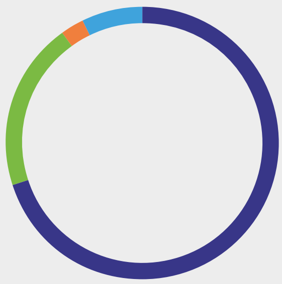
The value we create

£46.5m
Revenues

£5.3m
Adjusted operating profit

410
Employees globally

Revenue by markets



Nuclear	70%
Oil and gas	20%
Defence	3%
Other	7%

DIVISIONAL REVIEW
CONTINUED
The year in review

Performance against group strategy

01

Build business value by focusing on markets with growth potential

- Acquisition of NW Total brings opportunities in defence.
- Strong order books across nuclear and oil and gas markets.

02

Grow and diversify our international footprint

- Significant contract wins for Global Robotics in USA.
- Significant MSIP® contracts secured in Global Technical Services.

03

Differentiate ourselves through innovation and technology

- Cross-divisional innovation group established.
- $3m funding secured for development of passive cooling technology.

04

Lead in our chosen markets

- New structure for division to align products and services with markets.
- Enhanced efficiencies and customer focus across division.

UK Service and Manufacturing

Our UK Service and Manufacturing business performed well during the year, generating revenues of £23.0m (2018: £18.4m).

The business was able to successfully deliver a range of projects into the nuclear market, including the significant contract announced in July 2017 which is now nearing completion. We also delivered a strong performance in oil and gas markets, building on momentum established last year. The new management team has overseen significant improvements in business development, resulting in a more effective approach to tender opportunities, an increased conversion rate and a strengthened order book.

In June 2019 we acquired NW Total Engineered Solutions Limited, a service and manufacturing company providing value added solutions to the nuclear defence, nuclear decommissioning, nuclear power generation and other highly regulated markets. Integration has commenced, and the business has performed well in its initial period of ownership. The acquisition comes at a time of significant opportunity in nuclear defence, such as the £31 billion UK Dreadnought submarine programme which is expected to continue into the longer term.

Global Robotics

As anticipated, our Global Robotics business experienced lower levels of activity during the year due to project phasing, delivering revenues for the financial year totalling £14.4m (2018: £19.5m). The order book has improved, as expected, during the year and we continue to have confidence in the medium term. The year was also one of strategic progress, securing a number of contracts to supply robotics equipment into the USA including a major project to supply $8.5m of equipment. Part of the strategic rationale for the acquisition of NuVision was to lever its strong foothold in the USA nuclear sector.

Revenue by sub-division

UK Service and Manufacturing	49.5%
Global Robotics	36.7%
Global Technical Services	13.8%

Revenue by location

UK	54.7%
Germany	25.8%
USA	19.5%

Establishing a Global Robotics business, incorporating all of the remote handling and robotics equipment previously supplied by CarrsMSM, Wälischmiller, and NuVision, has allowed us to bring together IP and knowhow from across the Group, positioning the business for further product development and global growth.

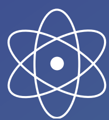
As previously reported, the level of global opportunities, particularly in the USA, Europe and Japan, is increasing which provides confidence in both the short and longer term for this division.

Global Technical Services

Our Global Technical Services business had a very strong year, generating revenues of £9.1m (2018: £5.7m).

This business has a very strong order book and opportunity pipeline, following the award of a number of previously announced contracts, including two significant Mechanical Stress Improvement Process (MSIP®) contracts, which will mainly benefit the 2020/21 financial year.

Following the award of significant funding from the US Department of Energy to develop our passive cooling technology, work has commenced on this project and is progressing well. This technology has the potential to be retrofitted on existing nuclear power plants in order to improve safety.



CASE STUDY:
Passive Cooling Technology

In 2019, our Global Technical Services business was awarded funding of up to $3m by the US Department of Energy towards the development of its Passive Cooling technology in conjunction with its strategic partner, DYNAC Systems LLC.

Passive Cooling represents an engineered solution designed to reduce the risks associated with a loss in power at a nuclear facility. The system operates independently of an electrical power source and acts to redirect decay heat from a reactor core, significantly reducing the risk of catastrophic incident.

$3m

Funding secured from US Department of Energy

GROWING OUR INTERNATIONAL FOOTPRINT

The acquisition of NuVision Engineering, Inc. in August 2017 provided the Group with a strong foothold into nuclear markets in the USA and represented an opportunity to market the Group's existing range of remote handling equipment in North America.

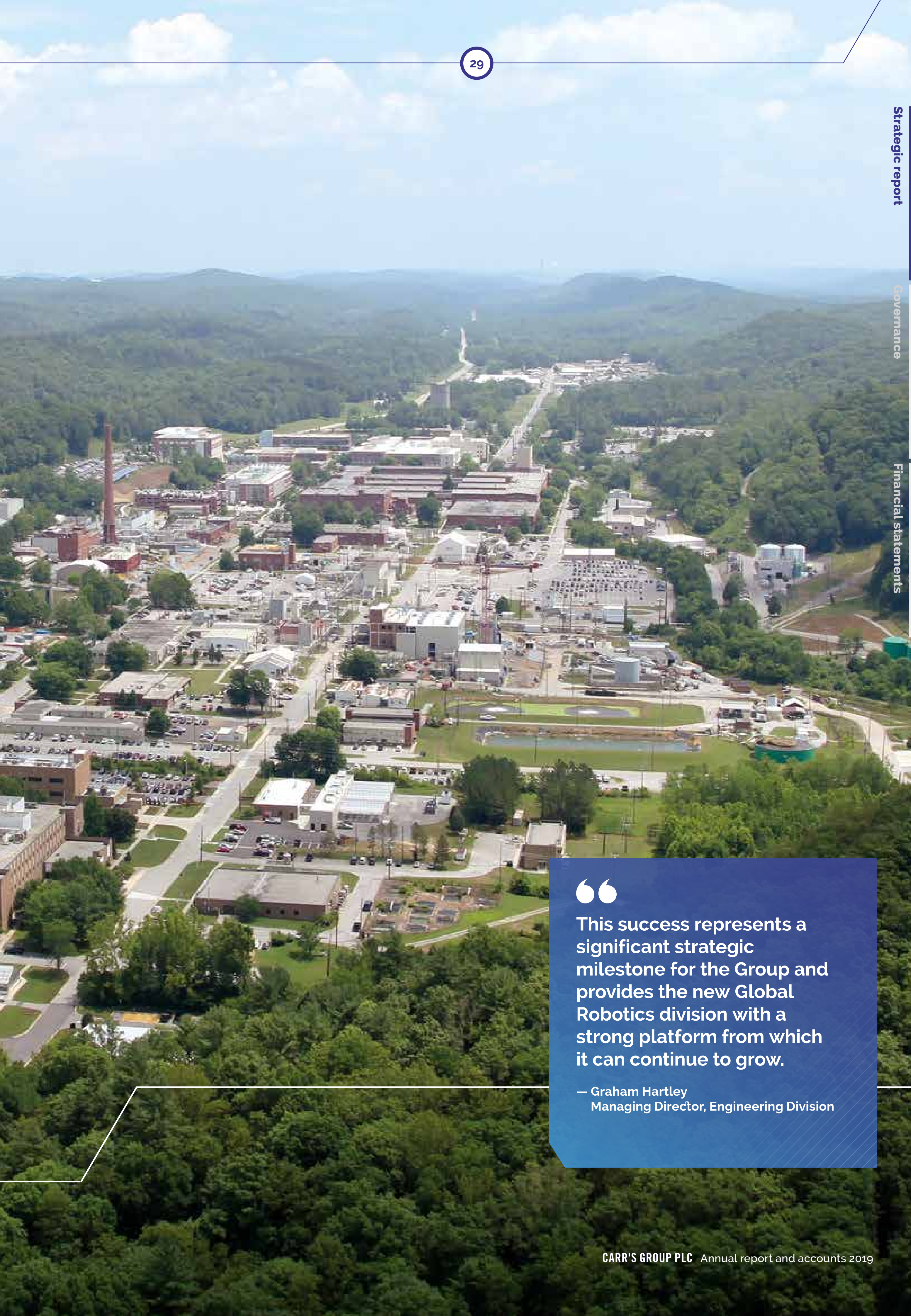
Since the acquisition, the Engineering division has successfully developed a Global Robotics business; combining the wealth of technology and skills within its businesses with remote handling capabilities: Wälischmiller, CarrsMSM and NuVision. The initiative was designed to enhance innovation in remote handling and best develop opportunities to supply products into the USA and globally.

In January 2019, the Group was pleased to announce that the Engineering division had secured its first contracts to supply Wälischmiller products into the USA as part of this initiative, including one major contract to manufacture a bespoke double-arm TELBOT® at a total value of $8.5m. This success represents a significant strategic milestone for the Group and provides the new Global Robotics division with a strong platform from which it can continue to grow.

$8.5m
Significant contract win

10
Robotics product ranges

To find out more visit
www.carrsengineering.com



This success represents a significant strategic milestone for the Group and provides the new Global Robotics division with a strong platform from which it can continue to grow.

— Graham Hartley
Managing Director, Engineering Division

RISK MANAGEMENT

Our success as a Group depends upon our 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.

Our risk appetite and approach to risk management

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 strategy in accordance with our business model.

The Board believes that in operating 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 46 to 48. 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.

Change in risk:

Increase No change Decrease

Key risks

Risk	Description of the risk	What we are doing to manage the risk
Brexit **Risk versus prior year** No change	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 Agriculture businesses. 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 any arising through changes to agricultural subsidies and support or the imposition of any tariffs.
IT and Cyber-Security **Risk versus prior year** Decrease	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 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. These have been further updated and improved during the course of 2018/19. From a system development perspective, major projects are subject to appropriate project governance arrangements.
Acquisitions **Risk versus prior year** No change	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 **Risk versus prior year** No change	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.
Reliance on Key Customers **Risk versus prior year** Decrease	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 continues to invest 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.

RISK MANAGEMENT
CONTINUED

Key risks continued

Risk	Description of the risk	What we are doing to manage the risk
People **Risk versus prior year** –	The knowledge, experience and skills of our 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 and retain 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 Nomination Committee regularly. The Group undertakes a range of employee engagement initiatives with a view to maintaining positive workplace cultures and good working environments.
Strategic Partners **Risk versus prior year** –	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 **Risk versus prior year** –	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 **Risk versus prior year** –	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 and joint ventures.	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. For interest rate risk on floating rate debt, we maintain a mix of fixed rate debt, primarily finance leases, 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 **Risk versus prior year** –	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 8 to 13. 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 Engineering business in nuclear sectors because of the global expansion opportunities in these and adjacent markets.

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

The output of the strategic planning process is a set of Group strategic objectives and a number of strategic priorities for the forthcoming financial year. The latest updates to the strategic plan were finalised in May 2019 following this year's review. This considered the Group's current position and the development of the business as a whole over the next three years.

Given the nature of business cycles in both Agriculture and Engineering, it was decided that a period of three years to 31 August 2022 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 2022, 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 30 to 32. The purpose of the principal risks table is primarily to summarise those matters that could prevent the Group from delivering on its strategy. A number of other aspects of the principal risks – because of their nature or potential impact – could also threaten the Group's ability to continue in business in its current form if they were to occur. Of the principal risks identified, the following are the most important to the assessment of the viability of the Group:

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

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

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

The scenarios tested included:

- Significant reductions in profitability and 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.

Particular attention was paid to potential uncertainties arising from Brexit.

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.

The Group's main banking facilities were renewed in November 2018 for a five year period. As this covers a period beyond the three years of the viability assessment the inability to renew these facilities has not been included in the stress testing scenarios. Other facilities with renewal dates, or notice periods, of 12 months or less have been assumed to be renewed on the same terms in the three year financial forecasts.

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 2022.

The Directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the Basis of accounting and going concern paragraphs in the principal accounting policies on pages 85 to 92 of the accounts.

CORPORATE RESPONSIBILITY

YORKSHIRE DALES MILLENNIUM TRUST

Stakeholders

The Group has a broad range of stakeholders with whom we engage to provide information about developments across our businesses and to understand stakeholder priorities and perspectives. We adopt a number of initiatives which focus on ensuring that a regular dialogue is maintained with our stakeholders, some of which are carried out directly by the Board whereas others are built into day-to-day management across the Group.

Employees

Our people are central to our continuing success. For information on how we engage with our employees, please see page 35 opposite.

Investors

We have a programme of announcements, presentations and other events for shareholders and prospective investors throughout the year. Each year, our preliminary results are released in November and our interim results are released in April. Each set of results is followed by an investor roadshow which takes place in London and copies of presentations delivered can be found on the Company's website. In January, in conjunction with our AGM, and in July each year we release trading updates to investors.

In July 2019 we arranged a capital markets day at our Wälischmiller site in Markdorf, Germany which provided engagement with local management and demonstrations of some of our robotics products. Throughout the year, the Chief Executive and Group Finance Director regularly meet institutional investors to discuss the Group's strategy and market perceptions. Board members and the Company Secretary also regularly engage with investors to discuss governance issues arising from time to time. At the last AGM in January 2019, all resolutions were passed with proxy votes of at least 92.7% in favour.

The Board sets time aside during its meetings to discuss feedback from shareholders, including that gathered by our brokers and advisers. This allows all Directors to understand major shareholders' views which can inform Board decisions.

Customers

We have a diverse range of customers across the Group. Our businesses regularly engage with customers to understand issues affecting them or their broader industry. Key customers regularly attend meetings with executives and, from time to time, are invited to take part in discussions with the Board. Reports from key meetings with executives are given to the Board.

Strategic Partners

The Group includes a number of joint ventures with strategic partners with whom an active dialogue is maintained. Regular meetings take place with joint venture partners covering strategic, operational and industry issues.

Community

The Group seeks to encourage responsible behaviours at all times and is committed to the communities in which it operates. Details of some of the key community focused initiatives carried out by Carr's Group employees throughout the year are detailed on page 37.

People

People are fundamental to the delivery of our strategy and the long-term success of the Group. Continuing to identify talent and develop our people remain key priorities across all of our businesses.

We promote high levels of teamwork and co-operation and consider these to be major contributing factors in the Group's success. Our organisational culture is led from the top-down and places great value in the principles of trust, respect, and integrity.

We remain committed to providing a working environment that:
- is consistent and fair;
- is diverse and free from discrimination;
- encourages the development of skills; and
- supports employee engagement.

Employee Engagement

We strive to ensure that employees across the Group are kept informed about key developments and business performance. This is achieved through the issue of regular briefing notes by the Executive Directors and senior management which are circulated regularly. Management within the Group are also kept informed on issues that may affect employees which enables effective, transparent communication and consultation where appropriate.

In 2018 we launched "Carr'sConnect", an employee intranet for the Group. Carr'sConnect provides an excellent platform for communicating with our people more easily. The service not only ensures that our employees are aware of developments across the Group, but it also provides access to up to date resources.

We also ensure that our people are listened to. During the year we formalised our approach to employee engagement, appointing Non-Executive Director Alistair Wannop as the Board's representative for overseeing effective engagement with personnel across the Group. Executive visits to site locations now involve time being devoted to open employee discussion sessions without management present. Feedback from visits to date has been valuable in guiding management decisions. The Board also attend regular site visits collectively each year during which discussions take place with members of staff. Management also engage with employees during training and induction sessions which involve large numbers of staff annually.

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 across the Group.

Diversity and 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 the needs of the business 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 which values the benefits of diversity.

We remain committed to maintaining open, fair and non-discriminatory recruitment and development processes across the Group. We promote flexible working where possible and seek to have full engagement in order to support any employee who becomes disabled during their employment.

Year Overview 2019

We continue to provide extensive development opportunities for all employees. Our standard induction programme is now well-established and provides an excellent introduction to the Group for all new starters, including employees of acquired businesses as part of our integration process.

The Group is committed to continuing development and now offers a broad range of courses and seminars which are delivered in-house. The financial year ended 31 August 2019 saw record numbers of people attending courses with 722 employee days' of training delivered. We also support a range of individuals across the Group working towards professional qualifications or accreditation.

Where high performing individuals are identified, we offer Management and Leadership Development Programmes which are designed to foster leadership skills and ensure that a pipeline of talented individuals is developed from within.

In line with the Group's focus on continuous health and safety improvements, we have seen a significant increase in health and safety training at all levels. We expect to see a continuation of this trend over the next 12 months.

During 2019, we were pleased to introduce a new E-Learning platform to complement our current range of classroom-based courses. This is now available to all employees and provides a large number of courses on a range of topics including health and safety, business and leadership skills. The platform enables convenient access to interactive training modules and allows employees to track their own progress. It maximises our ability to develop our people in a manner which is flexible, cost effective and environmentally friendly. We will continue to develop our E-Learning platform, which represents a significant development in the training available to our people.

Anti Bribery and Corruption

Carr's operates its businesses in a culture of honesty and openness. The Group takes a very firm stance against unethical behaviours including bribery and corruption which are prevented through a robust framework of controls, including standardised policies and transparent practices, which every employee is made aware of and which are subject to regular review. The Group's policies require the regular declaration by all personnel of gifts and hospitality and provide a whilstleblowing line which is available to all for the reporting of concerns.

Human Rights

Carr's is committed to the sustainable development of its business and to improvement in its management of socio-ethical issues, including ensuring that its business and its supply chains remain free of modern slavery and human trafficking. Whilst the risk of modern slavery and human trafficking within the Group and its supply chains is assessed as low, Carr's remains vigilant and is aware that the risk of modern slavery appearing in supply chains can increase, particularly as the Group continues to grow. Carr's will not deal with any third parties where concerns arise and will accordingly report such circumstances to appropriate authorities.

The Group operates internal policies which are supported by training on the issue of modern slavery which both protect against risks and promote awareness. A whistleblowing line is also available for the reporting of concerns. We also carry out appropriate due diligence on supply chains and engage with suppliers in relation to their policies on tackling slavery and human trafficking.

CORPORATE RESPONSIBILITY
CONTINUED

Health & Safety

The diversity of businesses within the Group presents a broad range of potential hazards, from slips and trips in an office, machinery hazards and heavy lifting in engineering workshops, manual handling and transport safety around members of the public in retail branches, to the safe handling and storage of component ingredients at manufacturing locations.

Due to the varied risk profiles across the Group, safety management systems are operated within the individual businesses, and those who are accredited to internationally recognised standards such as OHSAS[1] 18001 have succeeded in retaining these during the year.

An updated Group Health and Safety Policy has been issued, outlining the arrangements in place for ensuring that health and safety standards are maintained. It is the responsibility of individual business leaders to ensure that their organisations comply with the policy.

The training programme continues, with IOSH[2] accredited courses being provided, and an E-Learning programme having been launched to provide a blended approach for staff. A new Group wide occupational health service is to be put into place to increase the visibility and quality of service delivery.

Reported Incidents

Group	2018 – 2019	2017 – 2018
All injuries	78	56
RIDDOR[3] injuries	5	4
All injuries average IFR	522	-
RIDDOR average IFR	20	-

During the year, we have taken steps to increase safety awareness across the Group which has resulted in greater numbers of incidents being reported.

We have also adopted a practice of monitoring incident frequency rates (IFRs) which enables incident numbers to be reviewed consistently taking headcount changes into account. IFRs are calculated on the basis adopted by the Health and Safety Executive being number of incidents/headcount multiplied by a factor of 100,000.

Over the last 12 months, an increase in IFRs has been seen, again reflective of improved reporting, with a 12 month all injuries average from September 2018 to August 2019 of 522, and RIDDOR injuries of 20. This will continue to be calculated and monitored within each business, division and across the Group into the next financial year.

The Group remains fully committed to preventing accidents and ill health, and will continue to strive to find new ways to enhance safety standards, increase awareness and continually drive a strong safety culture.

1 Occupational Health and Safety Assessment Series
2 Institute of Occupational Safety & Health
3 Reporting of Injuries, Diseases and Dangerous Occurrences Regulations

Environment

The Group remains committed to protecting the environment and reducing the impact of its businesses through best practice. We have an Environmental Committee which includes senior members of management from across the Group and which meets regularly to consider energy consumption, waste, and opportunities including initiatives to make improvements.

During the year we adopted a new Group Environmental Policy which makes subsidiary businesses and their leaders responsible for making environmental improvements. Across the Group we monitor energy consumption, carbon generation, water utilisation, waste generation, recycling and transport fuel consumption. We also monitor changes to legislation and best practice.

The Group's second Energy Savings Opportunity Scheme audit was carried out during the year. The recommendations from that audit will be considered by the Environmental Committee in the current year and any appropriate actions implemented.

Our energy-intensive UK feed blocks business continues to benefit under its Climate Change Discount Agreement having met its carbon emission reduction targets during the year.

During the summer of 2019, we were delighted to install solar panels on the roofspace at our Animax site in Suffolk, which will meet the electrical requirements of the business going forwards in an environmentally friendly way. We are currently considering the viability of similar installations at other Group locations. We have also taken similar steps to improve efficiencies such as the installation of LED lighting at appropriate sites.

All UK Group locations purchase their energy from Haven Power Limited which sources over 93% of its electricity supplies from renewable resources[4].

Packaging

The impact of packaging on the environment has come under significant focus during the year. We recognise the challenges posed by certain packaging types, single use plastics in particular, and have formed a working group to look at alternative packaging materials, considering how they can be practically utilised. This work will take the output from materials research being conducted in the UK and the USA and from customer-facing trials.

Carbon Reduction Performance

CO_2 tonnes	2018 – 2019	2017 – 2018
Agriculture, UK	4,613	2,406
Agriculture, overseas	6,269	7,924
Engineering, UK	581	996
Engineering, overseas	244	476
Head Office	77	55
Transport[5]	-	3,246
Group total	11,784	15,103[6]

The carbon reduction data has been reported in accordance with environmental reporting guidelines including the Streamlined Energy & Carbon guidance updated and re-issued in March 2019.

4 Haven Power Limited Annual Disclosure Statement 2019
5 Transport figures for 2018/19 have been included in the divisional splits above
6 Reported incorrectly at 18,806 in 2017/18 owing to the incorrect reporting of 11,637 tonnes under Agriculture, overseas

The Group did not generate any additional gases other than carbon dioxide during the year.

Data for Animax and Paul Chuter Agricultural Services, acquired during the year, has been included. Data for Head Office has shown an increase due to the inclusion of all company mileage.

The total amount of carbon dioxide generated across the Group for the year was 11,784 tonnes, a significant reduction on the prior year. The relative carbon footprint of the Group therefore equates to 29.2 tonnes per £m turnover. By comparison the footprint for the previous years was 37.5 tonnes per £m turnover. This equates to an overall reduction of 22%.

Social Engagement

Carr's takes an active role in supporting the communities in which it operates. That support takes a variety of forms including charitable monetary donations, fundraising, partnering initiatives and voluntary work.

In 2019, Carr's partnered with Yorkshire Dales Millennium Trust in a three-year initiative to create a lasting legacy for agriculture in the Yorkshire Dales and surrounding areas. The programme will provide support for people, innovation and the environment to deliver sustainable farm improvements. It will also see the creation of new native broadleaf woodlands, which are not only hugely valuable habitats for wildlife but also provide areas of shelter for farm animals and help with flood risks and soil erosion.

For a fourth consecutive year, Carrs Billington is supporting WellChild, the national charity for seriously ill children. The business has so far donated over £30,000 through fundraising and from the proceeds of purple wrap and netting, and from the fundraising activities of its staff. Carrs Billington raises awareness through its competition and social media campaign which encourage customers to share pictures of eye-catching purple hay bale displays.

Carr's also continues to support Carlisle Youth Zone, which provides a safe and fun environment designed to support the social, recreational and emotional development of young people in the area.

Non-Financial Statement

Reporting requirement	Group policies and standards	Additional information
Environmental matters	Environmental Policy	See pages 36-37
Employees	Employee Handbook, Health and Safety Policy	See pages 34-35
Human rights	Employee Handbook, Modern Slavery Statement and Policy	See page 35
Social matters	Charitable Donations Policy	See page 37
Anti-corruption and anti-bribery	Anti-Bribery Policy	See page 35
Policy implementation and due diligence	Employee Handbook, financial and other controls and internal due diligence/integration processes	See our Strategic Report on pages 1-37
Description of principal risks and impact on business activity	-	See pages 30-32
Description of the business model	-	See pages 8-9
Non-financial key performance indicators	Environmental Policy, Health and Safety Policy, Employee Handbook	See our Strategic Report on pages 1-37

This Strategic Report was approved by the Board on 20 November 2019 and signed on its behalf by:

TIM DAVIES
Chief Executive Officer

BOARD OF DIRECTORS

Chris Holmes
Non-Executive 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. Chris will be standing down as Non-Executive Chairman and from the Board at the conclusion of the Company's AGM in January 2020.

N

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.

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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.

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John Worby
Senior Independent Director

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. He 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.

N R A

Committee membership

N Nomination
A Audit
– None
R Remuneration
● Chairman

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. In 2019, Alistair was appointed as the Board's Non-Executive Director for Employee Engagement.

N R A

Ian Wood

Non-Executive Director

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.

N R A

Peter Page

Non-Executive Director and Chairman Designate

Peter was appointed a Non-Executive Director in November 2019. Peter will take over as Non-Executive Chairman upon Chris Holmes standing down from the Board at the Company's AGM in January 2020. Peter was previously Chief Executive Officer of Devro plc, a position he held for 11 years until 2018, and brings to the Board his extensive international experience and knowledge of agriculture sectors.

N R

Matthew Ratcliffe

Company Secretary and Legal Counsel

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.

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CORPORATE GOVERNANCE REPORT

CHRIS HOLMES
Chairman

Dear Shareholder

On behalf of the Board, I am pleased to present our Corporate Governance report for the financial year ended 31 August 2019.

Corporate Governance Highlights

- Appointment of Alistair Wannop as the Group's Non-Executive Director for Employee Engagement.
- Appointment of Peter Page as Non-Executive Director and Chairman Designate.
- KPMG's first year as external auditor to the Group following appointment at January 2019 AGM.
- Alignment of the Group's governance framework with the new Corporate Governance Code 2018.

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.

This report describes how the Group adopts the principles of the UK Corporate Governance Code 2016, which applied to the Group in the financial year ended 31 August 2019, and I am pleased to report that the Group remained in full compliance throughout.

In this report we also describe the steps that have been taken so far in order to align the Group's governance framework with the Corporate Governance Code 2018. The 2018 Code applies to the Group for the financial year ending 2020 and will be reported on fully in our Annual Report and Accounts next year.

Given the new rules on Chairman tenure set out in the 2018 Code, we announced in December 2018 that I would be standing down as Non-Executive Chairman, and from the Board, at the conclusion of the forthcoming AGM in January 2020. I am delighted that the Board has been able to appoint Peter Page to take on the role when I step down, and I wish him well in leading the Group as it continues to grow.

In readiness for the 2018 Code, the Board has formalised its processes for engaging with our growing workforce, with Alistair Wannop taking on the role of Board Representative for Employment Engagement. The Board has also revisited the Group's policy on diversity and inclusion, as we strive to ensure that there is an appropriate balance of skills and backgrounds both at Board level and within management teams across the Group.

Good governance is central to the integrity, reputation and performance of the Group. As best practice continues to develop, the Board remains committed to maintaining its high standards.

Chris Holmes

CHRIS HOLMES DL
Chairman
20 November 2019

Statement of Compliance with the UK Corporate Governance Code

The UK Corporate Governance Code 2016 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 31 August 2019, 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 Group for its shareholders. In determining long-term strategy and objectives of the Group, the Board is mindful of its duties and responsibilities to shareholders as well as employees and other stakeholders. The Board reviews management and financial performance, and monitors strategic delivery and achievement of business objectives.

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

Strategy	Risk	Governance
Setting strategic aims and objectives. Setting organisational cultures and behaviours. Reviewing new business developments and opportunities including potential acquisitions. Investing in research and technology.	Oversight of the Group's risk and internal control framework. Consideration of feedback from external and internal audit.	Compliance with legal, regulatory and disclosure requirements. Determination of matters reserved for the Board and terms of reference for Board Committees. Board and Committee performance evaluation. Succession planning and Board appointments.

Finance	Stakeholder engagement	Health, Safety and Environmental
Approving budgets. Monitoring financial performance. Oversight of the preparation and management of the financial statements. Approving major capital projects or materially significant contracts. Determining dividend policy. Determining pensions strategy.	Engagement with employees, shareholders and other stakeholders and consideration of feedback. Approval of public announcements. Consideration of feedback from investor meetings and roadshows.	Consideration of Health, Safety and Environmental reports from management. Providing support where appropriate to drive continuous improvement.

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 31 August 2019, the Board comprised of two Executive Directors, a Non-Executive Chairman, and three Non-Executive Directors. There is a Company Secretary to the Board. The biographies of the Board can be found on pages 38 to 39. Subsequent to the year end, Peter Page was appointed to the Board as Non-Executive Director and Chairman Designate.

CORPORATE GOVERNANCE REPORT

CONTINUED

The Board met on 12 scheduled occasions throughout the year. In addition to regular scheduled meetings, a number of conference calls took place during the year in order to deal with specific business arising. Board agendas are set by the Chairman in consultation with the Executive Directors and with the assistance of the Company Secretary. All Directors are expected to attend scheduled Board meetings and relevant Committee meetings in addition to the Annual General Meeting unless they are prevented from doing so by prior work or extenuating personal commitments. 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 authority to the Audit, Remuneration, and Nomination 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 determining and developing strategy, and 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 developments 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 executive management of the Group's business, to deliver the strategy and commercial objectives agreed by the Board;
- researching and proposing the Group's strategy and commercial objectives, which are developed in conjunction with the Chairman;
- effecting the decisions of the Board and its Committees;
- maintaining and protecting the reputations of the Group and its subsidiaries;
- establishing an annual budget consistent with the agreed strategy to be agreed by the Board;
- managing the performance of the Group against the agreed budget;
- ensuring that dialogue is maintained with the Chairman on important issues facing the Group;
- providing information and advice on succession planning to the Board, and managing executive succession planning;
- providing information and advice to the Board on health, safety and environmental issues and overseeing the Group's strategy on such matters; and
- setting the Group's culture, values and behaviours and conducting the affairs of the Group adhering to the highest standards of integrity and good governance.

Elections

The Company's Articles of Association provide that one third of the Directors retire by rotation each year at the Annual General Meeting. The Board consider it best practice however to require all 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 scheduled meetings of, and members' attendance at, the Board and the Audit, Remuneration and Nomination Committees during the period are set out in the table below.

Meeting Attendance	Board	Audit Committee	Remuneration Committee	Nomination Committee
No. of meetings	12	3	6	5
Chris Holmes	12	3*	6*	5
Tim Davies	12	3*	N/A	5*
Neil Austin	12	3*	N/A	5*
Alistair Wannop	12	3	6	5
John Worby	12	3	6	5
Ian Wood	12	3	6	5

* Attended meeting in full or part by invitation

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. The Board last undertook an independent external review in 2017, which was conducted by Independent Audit Limited. That review covered the whole Board, together with its Audit, Nomination 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 external review drew positive conclusions including that the Board and its Committees were performing effectively and were 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. The 2017 external review was supplemented by an internal review in 2018.

In 2019, the Board carried out a further internal review which built upon the previous external and internal reviews. This was led by the Chairman with the assistance of the Company Secretary. The review commenced with discussions between the Chairman and the Company Secretary, together with a review of the findings of prior reviews and of progress made during the year against recommendations for improvements. 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 on an anonymous basis, together with progress made to date against previous recommendations. That report was the subject of a detailed and constructive discussion by the Board.

CORPORATE GOVERNANCE REPORT

CONTINUED

The 2019 review demonstrated that good progress had been made towards addressing the recommendations previously made. In particular, the Board agenda continues to include regular site visits across the Group, which gives the Board greater exposure to senior management and a deeper understanding of operations. Greater focus is now also placed on succession, diversity and people issues both by the Board and the Nomination Committee. The 2019 review confirmed the conclusions drawn in 2017 and 2018 that the Board and its Committees were performing effectively and were appropriately constituted. The review also noted the increased level of internal audit activity and that financial KPIs in the Engineering division were now being well reported, following the recommendation of the 2018 review. Further actions agreed by the Board following the 2019 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 Corporate Governance Code 2018 and increasing the level of internal audit activity across the Group.

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 Board's views on Non-Executive Director independence were also reconsidered as part of the 2019 internal review. This was afforded greater focus owing to Alistair Wannop serving as a Non-Executive Director for more than nine years. In carrying out a detailed assessment, the Board considered the findings of the previous external and internal Board evaluation reports which did not highlight any issues or concerns. In particular, the Board again 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 accordingly determined that the independence of Alistair Wannop was not compromised by his tenure, and that there were no circumstances which could give rise to his independence being questioned. The Board was entirely satisfied that Alistair Wannop continued to exercise the level of objectivity and challenge that would be expected of an independent Non-Executive Director and that his knowledge of the Group and the markets in which it operates remained of significant benefit to the Board.

The Board is accordingly entirely satisfied that Alistair Wannop, Ian Wood and John Worby are independent. Upon his appointment as Non-Executive Director and Chairman Designate on 1 November 2019, Peter Page was assessed by the Board to be independent. The question of Non-Executive Director independence is a matter which is kept under review and thoroughly assessed annually 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 46 to 48. 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's primary role is to review and set the reward structures for Executive Directors and other senior management to ensure that these promote the correct behaviours and are appropriate when considered in conjunction with the levels of pay and benefits offered across the Group.

During the year, the Remuneration Committee comprised three independent Non-Executive Directors: Ian Wood (Chairman), John Worby and Alistair Wannop. On 1 November 2019, Peter Page also became a member of the Committee which accordingly now comprises four independent Non-Executive Directors. The work, responsibilities and governance of the Remuneration Committee are set out on pages 52 to 64. The Chairman of the Remuneration Committee will be available at the AGM to answer any shareholder questions on the Committee and its activities.

Nomination Committee

The role of the Nomination Committee is to ensure that an appropriate balance of skills, experiences and backgrounds is achieved across the Board, and that the Group is properly prepared for the succession of members of the Board and senior management.

During the year the Nomination Committee comprised of Chris Holmes (Chairman), Alistair Wannop, John Worby and Ian Wood. The work, responsibilities and governance of the Nomination Committee are set out on pages 49 to 51. On 1 November 2019, Peter Page also became a member of the Committee. The Chair of the Nomination 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 Annual General Meeting 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 and time is set aside following the meeting for shareholders to hold discussions with Directors directly. The Group aims to send notices of Annual General Meetings 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 systems of internal control and internal audit, and for reviewing their 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 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 associate and joint ventures. This reporting is subject to detailed review by the Chief Executive and the Group Finance Director and detailed validation by the Group finance team, and forms the basis for information presented to and reviewed by the Board. All monthly reporting is prepared in line with Group accounting policies, which are reviewed annually and are also subject to review by the external auditors.

The management of the Group's businesses identified the key business risks within their operations, considered the financial implications and assessed the effectiveness of the control processes in place to mitigate these risks. The Audit Committee also reviewed the effectiveness of the risk management and internal control systems. 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 30 to 32.

By order of the Board

MATTHEW RATCLIFFE
Company Secretary
Carlisle
CA3 9BA
20 November 2019

AUDIT COMMITTEE REPORT

JOHN WORBY
Chair of the Audit Committee

Dear Shareholder

On behalf of the Audit Committee, I am pleased to present this report to shareholders which highlights the areas of review during the year and explains how the Committee has reviewed and discharged its responsibilities.

Audit Committee Highlights

- First full year of Group's internal audit function.
- KPMG's first audit following its appointment as external auditor at the AGM in January 2019.
- New accounting standards IFRS 9 and IFRS 15 adopted in the financial year and preparation for adoption of IFRS 16.

Introduction

This has been the first year in which KPMG LLP ('KPMG') has acted as the Group's auditor, having been appointed by Shareholders at the AGM on 8 January 2019 following the recommendation of the Board and the tender process conducted by the Committee in the spring of 2018.

Composition of Committee and Meetings

The Audit Committee comprises three Non-Executive Directors, John Worby, who is Chairman of the Committee and 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 pages 38 to 39.

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, the Head of Internal Audit and the external auditor to attend its meetings. The Committee met with the Head of Internal Audit and the external auditor 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 31 August 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 auditor, making recommendations to the Board in relation to its appointment, remuneration and terms of engagement;
- monitor and review the effectiveness of the external audit including the external auditor's independence, objectivity and effectiveness and to approve the policy on the engagement of the external auditor to supply non-audit services; and
- review and approve the mandate of the internal auditor, evaluate the work and monitor the effectiveness of the internal auditor, and approve the appointment or removal of the Head of Internal Audit.

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

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 the Group Finance Director, the Head of Internal Audit and the external auditor 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 area of judgement across the Group.

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

- Contract risks in the Engineering division, including the risks associated with the judgemental nature of revenue and profit recognition over time. The Committee reviewed a selection of significant active contracts, challenging management's forecast outturns and profit recognition assessments and examining commercial processes and controls in order to test the recoverability of contract balances. The Committee determined that the judgements adopted by management were appropriate.
- Potential goodwill impairment. The Committee challenged the reasonableness of the future business performance assumptions adopted by management in the light of historical performance and industry benchmarks, and determined that no such impairment was necessary.
- Brexit and the associated increased levels of uncertainty of outcomes. The Committee considered the Directors' assessment of Brexit-related sources of risk and their potential impact on the going concern assessment and viability statement. Potential sensitivities were challenged against the full range of reasonably possible scenarios, and adjustments were considered to discount rates for forecast cash flows for any residual uncertainties. The Committee also reviewed the reasonableness of disclosures made in the strategic report relating to Brexit. The Committee determined that the assessments made by management were appropriate and that the narrative disclosures were reasonable.
- Appropriateness of pension assumptions. The Committee considered whether the assumptions used by the Company's adviser were appropriate to use to derive the assets, liabilities and resultant net surplus in the Company's defined benefit pension scheme, and concluded that they were. The basis of calculation for the additional cost relating to GMP equalisation and its disclosure as non-recurring were also reviewed.
- Adoption of new accounting standards. The Committee considered the impact of adopting the new accounting standards IFRS 9 and IFRS 15, and concluded they had been appropriately implemented and disclosed. In respect of IFRS 16, which will apply to the year ending 29 August 2020, the Committee considered the intended method of adoption and agreed it was appropriate. The Committee also reviewed the disclosure in the 2019 annual report of the expected impact and determined it was appropriate.
- Acquisition accounting, including the fair values attributed to assets and liabilities. The Committee challenged management's assessments of fair value, identified intangibles and the assessment of future liabilities, including the value placed on the contingent consideration likely to be payable as potential earn-out payments for the NuVision, Animax and NW Total acquisitions and determined that such assessments 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. As noted above, particular attention was given to sensitivities relating to Brexit. The Committee was comfortable with the disclosures made.

Internal Control and Risk Management

During the year the Committee continued to monitor the effectiveness of the Group's internal control and risk management systems and at the end of the year carried out a review of the effectiveness of such systems.

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.

AUDIT COMMITTEE REPORT

CONTINUED

External Audit
KPMG was appointed as external auditor of the Group at the AGM in January 2019. The appointment followed the proposal of the Board and a competitive tender process managed by the Audit Committee in the spring of 2018. KPMG's current engagement partner is Nick Plumb, who has been in place since commencement of the audit for the 2019 financial year. The Audit Committee assessed the qualifications, expertise and independence of KPMG as auditors as part of the tender process and updated its assessment during the year.

Following approval by shareholders to appoint KPMG in January 2019. the Audit Committee reviewed and approved the terms of engagement and remuneration of the external auditors for the 2019 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. KPMG presented its detailed audit plan to the Committee in June 2019, identifying their assessment of these key risks.

The 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 in relation to PwC's final audit was considered in detail and any relevant points were communicated to the new auditors, KPMG. The Committee concluded that it was satisfied with the effectiveness of the external audit. At the conclusion of KPMG's first audit, the Committee again reviewed and was satisfied with the effectiveness of the external audit process.

Auditor Independence
The Group meets its obligations for maintaining an appropriate relationship with the external auditor 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 the Company. 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 annually reviews the Company's non-audit services policy, updating and approving the policy where appropriate. The objective of the policy is to ensure that the provision of any 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, all non-audit services must be approved by the Group Finance Director and reported to the Committee. Prior approval of the Committee is also required before the external auditor is engaged to provide non-audit services costing in excess of £25,000 in aggregate. During the 2019 financial year, there was no non-audit work undertaken by the Group's external auditor.

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.

In 2018, 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. In the 2019 financial year, the three-year Internal Audit Plan was reviewed and approved and the detailed plan for work in 2019 was agreed. Reviews were received for Engineering relating to UK Service & Manufacturing, and for Agriculture in UK Agriculture and UK Supplements. While some areas for improvement were identified, no significant control deficiencies were noted from these reviews.

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
20 November 2019

NOMINATION COMMITTEE REPORT

CHRIS HOLMES DL
Chair of the Nomination Committee

Dear Shareholder

On behalf of the Nomination Committee, I am pleased to present this report which highlights the role of the Committee and its key activities during the year.

Nomination Committee Highlights

- Recruitment process completed for successor Non-Executive Chairman overseen by Senior Independent Director.
- Consideration of diversity across the Group and the Group's policy on diversity and inclusion.
- Another active year in senior management succession across the Group.

Introduction

The Nomination Committee plays an important role in ensuring that the Board and senior management teams possess the right balance of skills, experience and knowledge to support the Group's strategy. Central to this is making sure that effective succession plans are in place to fill vacancies on the Board, and in management teams, alongside robust and transparent procedures for identifying suitable candidates.

This has been a busy year of succession planning across the Group, with several key management appointments being made in both divisions. In December 2018, the Board also announced that I would be standing down as Chairman, and from the Board, in January 2020. During 2019 the Board's Senior Independent Director, John Worby, therefore chaired the Committee in leading a recruitment process which led to the appointment of Peter Page as a Non-Executive Director and Chairman Designate with effect from 1 November 2019. Subject to the approval of the shareholders, Peter will take over as Non-Executive Chairman and Chair of the Nomination Committee when I stand down in January 2020. More information about the Committee's process is set out below.

Role of the Committee

The primary responsibilities of the Nomination Committee are:

- reviewing the structure, size and composition of the Board and monitoring the range of skills, knowledge and experience required for the Board to operate effectively and to deliver the Group's strategy;
- overseeing Board and senior management succession planning, including setting objective selection criteria and transparent recruitment processes, and making recommendations to the Board in relation to the appointment of Executive and Non-Executive Directors; and
- setting the Group's policy on diversity and inclusion and overseeing its implementation in succession planning across the Group.

Activities of the Committee

The Committee met on five occasions during the year to consider the following matters:

- the Committee's terms of reference to ensure they appropriately 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 policy on diversity and inclusion; and
- the Group's talent management, training and development programmes.

NOMINATION COMMITTEE REPORT

CONTINUED

Attendance at meetings was as follows:

Members	Meetings attended	Percentage attended
Chris Holmes – Chair	5	100%
John Worby	5	100%
Ian Wood	5	100%
Alistair Wannop	5	100%

Changes to the Board and its Committees

There were no changes in the membership of the Board or its committees during the year ended 31 August 2019. In May 2019, the Board announced the appointment of Alistair Wannop to a new role as the Board's Representative for Employee Engagement.

In November 2019, Peter Page was appointed as a Non-Executive Director and Chairman Designate, with a view to taking on the role of Chairman upon Chris Holmes standing down in January 2020. More information about this is set out below. Peter Page became a member of the Nomination Committee on appointment to the Board.

Board Evaluation

In 2017, the size, composition and effectiveness of the Board and its Committees were the subject of an external evaluation 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.

In 2019, the Board conducted an internal review building upon the 2017 external evaluation and an internal review carried out in 2018. This involved a detailed consideration of the effectiveness of the Board and its committees together with a review of diversity and the range of skills, knowledge and experience required to effectively deliver the Group's strategy. The 2019 review also considered 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 and leadership needs of the Group, taking into account continued growth and Group strategy. Recruitment processes for leadership and senior positions across the Group are managed under the supervision of the Group's Head of HR inviting both internal and external candidates. Independent recruitment consultants are also appointed where appropriate taking into account the requirements of the Group.

Since 2017, the Group has made significant progress in the implementation of its senior management succession plans. This progress continued during 2019, with the restructuring of our Engineering division and the strengthening of its central management team under the leadership of the divisional Managing Director. Our Agriculture division also saw significant change; strengthening business development in our Supplements business and successfully appointing a new Managing Director for our UK Agriculture business.

Across the Group our career pathway and employee development initiatives continue to evolve which are designed to attract, retain and develop the best talent. Further details of those initiatives are described on page 35.

In December 2018, the Company announced that Chris Holmes would stand down from the Board at the AGM in January 2020 as part of the Board's succession planning and in the light of changes to the UK corporate governance framework introduced by the 2018 Code. During 2019, under the chairmanship of John Worby as Senior Independent Director, the Nomination Committee therefore planned and undertook a rigorous recruitment process involving the development of suitable appointment criteria, the selection of external recruitment consultants, the shortlisting of suitable candidates and the arrangement of candidate meetings with Board members. A number of external consultants were invited to tender in connection with the process which ultimately resulted in the appointment of Independent Search to advise and assist the Committee.

In selecting candidates, the Committee considered a broad range of important skills and characteristics. The Committee also considered the balance of skills, experience and knowledge present across the Board, the culture of the Group and the benefits of diversity.

Following a rigorous process, the Committee recommended the appointment of Peter Page to the position of Non-Executive Director and Chairman Designate which was agreed by the Board and announced on 9 October 2019. As a result, Peter Page was appointed on 1 November 2019 and, subject to shareholder approval at the AGM in January 2020, will take on the role of Non-Executive Chairman and Chair of the Nomination Committee immediately upon Chris Holmes standing down as proposed.

Diversity and Inclusion

The Group's principal concern when making employment decisions 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. The Board also recognises the benefits of diversity which are given due consideration when determining the requirements of the Group and in reaching recruitment decisions. Accordingly, every effort is made to ensure that candidate lists suitably reflect diversity.

The Group operates a strict equal opportunities policy. All appointments are made on the basis of merit and the requirements of the Group regardless of factors such as race, colour, nationality, religion or belief, gender, marital or civil partnership status, family status, pregnancy, sexual orientation, gender identity, gender reassignment, disability or age. There are no differences in pay structures for persons of different genders performing similar roles.

Gender Breakdown

Group employees	**Total**	1,241
	Male	904
	Female	337
Senior managers:	**Total**	13
	Male	9
	Female	4
Direct reports to senior managers:	**Total**	49
	Male	31
	Female	18

The Board recognises the current absence of gender diversity at Board level and is conscious that it was not possible to address this during the succession process undertaken in 2019. Whilst the Company is not currently subject to any requirements in this regard, the Board is aware of the benefits of diversity, including gender diversity, and of the recommendations of the Hampton Alexander Review. The Committee and the Board will continue to focus on the issue of gender diversity in their planning for future Board succession.

Re-Election

Save for Chris Holmes, who will stand down, and Peter Page, who will strand for election for the first time since his appointment on 1 November 2019, all Board Directors will stand for re-election at the Annual General Meeting on 7 January 2020 in accordance with best practice under the Corporate Governance Code. The Board will set out in the Notice of Annual General Meeting its reasons for supporting the re-election of each Director. Their biographical details on pages 38 to 39 demonstrate the range of experience and skills which each brings to the benefit of the Company.

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

On behalf of the Board

Chris Holmes

CHRIS HOLMES DL
Chair of the Nomination Committee
20 November 2019

REMUNERATION COMMITTEE REPORT

IAN WOOD
Chair of the Remuneration Committee

Dear Shareholder

On behalf of the Remuneration Committee, I am pleased to present the Report of the Remuneration Committee for the year ended 31 August 2019.

Remuneration Committee Highlights

- Introduction of CEO pay ratio reporting.
- Preparation for the adoption of the Corporate Governance Code 2018.
- Appointment of Peter Page as Non-Executive Director and Chairman Designate.

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

Section 01

The Chair's Annual Statement, which summarises the key considerations of the Committee during the year and forms part of the Annual Report on Remuneration.

See page 53

Section 02

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 proposed for 2019/20.

See page 54

Section 03

The Annual Report on Remuneration, which sets out how the Remuneration Policy has been applied in 2018/19, the remuneration received by Directors for the year and how the policy will be applied in 2019/20. The Annual Report on Remuneration will be subject to an advisory shareholder vote at the AGM. on 7 January 2020

See page 60

Section 01

Annual Statement from the Chair of the Remuneration Committee

Performance and Remuneration in 2018/19
As described in the Strategic report, and despite some external challenges affecting the Agriculture division, the Group's overall financial performance in the year under review was ahead of the Board's original expectations. In the year, adjusted[1] profit before tax was up to £18.0m (2018: £16.6m) and adjusted[1] Earnings Per Share was up to 14.6p (2018: 13.9p). In addition to this strong financial performance, significant progress was also made in delivering the Board's strategy and 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 2018/2019
The Committee maintains a schedule of matters for consideration which aligns with its terms of reference and ensures that changes to the corporate governance framework and remuneration best practice are considered by the Committee when appropriate. The areas of focus for the Committee are set out in the Annual Report on Remuneration set out on the pages which follow.

Key additional considerations for the Committee this year included the impact of the Corporate Governance Code 2018, which applies to the Group from 1 September 2019, and the new requirement to report ratios comparing CEO remuneration to that of the wider workforce. Whilst we are not required to report these ratios until next year, the Committee has chosen to do so voluntarily in this year's report.

In November 2019 Peter Page was appointed to the Board as Non-Executive Director and Chairman Designate with a view to being appointed Non-Executive Chairman upon Chris Holmes standing down at the forthcoming AGM. During the year, the Remuneration Committee undertook a benchmarking exercise to ensure that the remuneration payable to Peter Page was appropriate when compared with similar businesses, the remuneration offered to other Board members and the Group's broader workforce.

The current Directors' Remuneration Policy was approved by the shareholders at the AGM which took place on 9 January 2018. The Remuneration Committee regularly reviews the Directors' Remuneration Policy to ensure it promotes the attraction, retention and incentivisation of high calibre executives to deliver the Group's strategy. The Committee is mindful of the requirements under the 2018 Code, and calls from the Investment Association, in relation to the alignment of pension contributions for Executive Directors with those available to the wider workforce. Whilst no change is proposed for the coming year, the Committee will be considering the position further during the course of the current financial year. A new Directors' Remuneration Policy will be put to the shareholders for approval at the AGM in January 2021. The Committee will also take the opportunity this year to address other emerging aspects of governance, including the requirement under the 2018 Code for Executive Directors to retain shares after they leave the Company's employment.

No changes to the current Directors' Remuneration Policy are proposed this year.

For 2019/20, the maximum annual bonus for the Executive Directors' will remain 100% of salary, with 25% of any amount 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 2019 of 2%, which is consistent with the broader workforce.

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

Ian Wood

IAN WOOD
Chairman of the Remuneration Committee
20 November 2019

1. Adjusted results are after adding back amortistion of acquired intangible assets and non-recurring items including acquisition costs.

REMUNERATION COMMITTEE REPORT

CONTINUED

Section
02

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 7 January 2020.

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, the Secretary and senior management.

Key responsibilities include:

- determining the framework for the remuneration of the Group's Executive Directors, Chairman, Secretary and senior management;
- determining the total remuneration packages, authorising terms and conditions, and issuing 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 stakeholder 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 stakeholders.
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. Detailed discussions took place with certain major shareholders and proxy agencies prior to the formulation of this policy and subsequently when considering any changes that might be required to be made to it. The views offered to the Committee have been taken into account in the policy below. The Committee continues to welcome feedback from shareholders received at each AGM in addition to any feedback received throughout the year.

Remuneration Policy

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 any subsequent 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, being the rate available to senior management.
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.

REMUNERATION COMMITTEE REPORT

CONTINUED

Element	Purpose and link to strategy	Policy and approach	Opportunity
Annual bonus	Designed to reward delivery of key strategic priorities during the year.	Bonus levels and appropriateness of performance measures and weighting are reviewed annually to ensure they continue to support our strategy. Bonuses are capped at 100% of base salary. 25% of any bonus earned will be deferred into awards over shares, with awards normally vesting after a two-year period. Performance is measured against stretching targets. These may include financial and non-financial measures. Financial measures will account for the majority and will typically include a profit-related target. Performance targets will be disclosed retrospectively. The threshold level of bonus under each measure is 0%. The cash element of the bonus is usually paid in November each year for performance in the previous financial year. Dividends will accrue on deferral awards over the vesting period and be paid out either as cash or as shares on vesting and in respect of the number of shares that have vested. A malus and clawback mechanism applies in specific circumstances including in the event of a material misstatement of the Group's accounts and also for other defined reasons. These provisions apply to both the cash and deferred elements of the bonus.	Maximum of 100% of base salary.
Save As You Earn (SAYE)	To encourage employee involvement and 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. 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. 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.

Element	Purpose and link to strategy	Policy and approach	Opportunity
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 Director Remuneration			
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 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. Adjusted 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 adjusted Earnings Per Share as it rewards improvement in the Group's underlying financial performance and is a measure of the Group's overall financial success and is visible to shareholders.

Targets within incentive plans that are related to internal financial measures, such as profit, are typically determined based on our budgets. The threshold and maximum levels of performance are set to reflect minimum acceptable levels at threshold and very stretching but achievable levels at maximum. At the end of each performance period we review performance against the targets, using judgement to account for items such as 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.

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.

Dates of service contracts and first appointment to the Board for all Directors are given above opposite.

	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	1 September 2019	7 January 1992
Alistair Wannop	1 September 2019	1 September 2005
John Worby	1 September 2019	1 April 2015
Ian Wood	1 September 2019	1 October 2015
Peter Page	8 October 2019	1 November 2019

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.

Estimates of total future potential remuneration from 2019 pay packages

The tables below provide estimates of the potential future remuneration of each Executive Director based on the remuneration opportunity granted in the 2019/2020 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 2019.

Benefits are valued using the figures in the total remuneration for the 2019 financial year table, adjusted for any benefits that will not be provided during 2020.

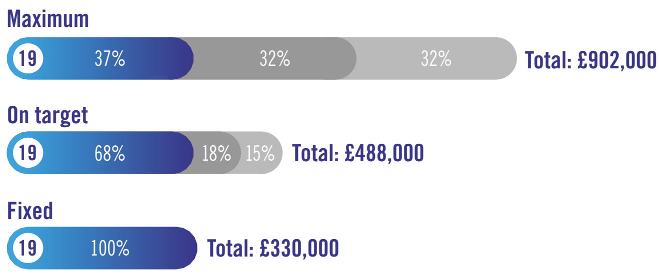
Pensions are valued by applying the appropriate percentage to the base salary.

	Base £'000	Benefits £'000	Pension £'000	Total £'000
Tim Davies	286	1	43	330
Neil Austin	211	1	32	244

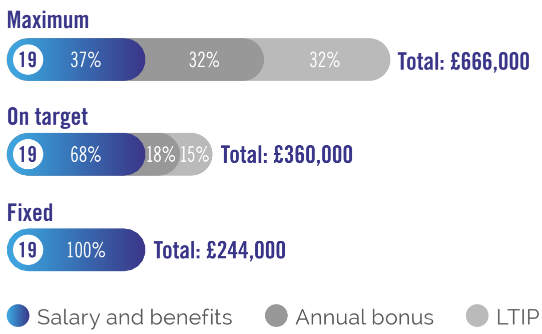
On target — Based on what a Director would receive if performance was in line with plan and the threshold level was achieved under the LTIP.

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

Tim Davies, Chief Executive Officer



Neil Austin, Group Finance Director



Section
03

Annual Report on Remuneration

This part of the Directors' Remuneration Report sets out a summary of how the Directors' Remuneration Policy was applied during 2018/19.

Remuneration Committee

During the 2018/19 year, the Remuneration Committee comprised Ian Wood (Chairman), John Worby and Alistair Wannop. After the year end, in November 2019, Peter Page became a member of the Committee. The Committee met on 6 occasions during the year with all members in attendance (see page 43).

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:

- the Committee's terms of reference;
- the new Corporate Governance Code 2018 and its impact on the activities of the Committee and future remuneration policy;
- levels of basic pay for Executive Directors, the Chairman and senior management;
- performance targets, both financial and non-financial, for Executive Director variable pay;
- pay and benefits structures across the broader Group (including CEO pay ratios);
- 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 relating to the Committee's disclosures in relation to performance outcomes against strategic annual bonus targets.

2019 Remuneration (Audited Information)

In this section we summarise the pay packages awarded to our Executive Directors for performance in the 2019 financial year versus 2018. The table below shows all remuneration that was earned by each individual during the year and includes a single total remuneration figure for the year.

	Salary/Fees		Benefits[1]		Bonus		LTIP		Pension		Total	
£'000	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Executive Directors												
Tim Davies	**280**	274	**1**	1	**169**	274	**271**	271	**42**	41	**763**	861
Neil Austin	**207**	202	**1**	1	**131**	202	**200**	200	**31**	30	**570**	635
Non-Executive Directors												
Chris Holmes	**82**	80	**-**	-	**-**	-	**-**	-	**-**	-	**82**	80
Alistair Wannop	**39**	38	**-**	-	**-**	-	**-**	-	**-**	-	**39**	38
John Worby	**39**	38	**-**	-	**-**	-	**-**	-	**-**	-	**39**	38
Ian Wood	**39**	38	**-**	-	**-**	-	**-**	-	**-**	-	**39**	38
Peter Page[2]	**N/A**	N/A	**-**	-	**-**	-	**-**	-	**-**	-	**N/A**	N/A

1 Benefits consistent of private medical insurance.
2 Peter Page was appointed to the Board on 1 November 2019 receiving total fees at the rate of £90,000 per annum.

2019 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 amortisation of acquired intangibles and non-recurring items 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. Financial targets are set on the basis that the performance of acquisitions made during the year are excluded. For the year ending 31 August 2019, the PBT targets were set in accordance with the table below.

Threshold target (0%) £'000	Basic target (30%) £'000	Maximum target (80%) £'000
15,950	16,790	17,630

Payments are adjusted on a straight-line basis between the targets set out above. For the year ended 31 August 2019, adjusted PBT for the Group excluding acquisitions was £17.295m. This performance equated to 56.76% of the maximum available in connection with the Group's financial targets, being 45.41% of the available annual bonus.

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 below

Tim Davies

Objective	Outcome
Successful integration of Animax in accordance with business plan approved by the Board.	Good progress made against strategic plan in all areas including restructuring management team, progressing international growth opportunities and improving efficiencies. Weather in FY19 had the effect of reducing customer demand, which delayed the realisation of some synergy benefits.
Identify and deliver suitable acquisitions which align with the Board's strategy.	Good pipeline of acquisition opportunities developed during the year which align with the Board's strategy. All opportunities subjected to detailed appraisal by the Board where appropriate. Three acquisitions completed during financial year.
Continued international development of Supplements business in line with Board strategy.	Strategic plan developed and approved by the Board which will see focus on Europe, North America and New Zealand, being markets in which greatest growth opportunities are considered to exist.
Continuation of strategic developments across Engineering.	Strong progress made on realisation of synergies between Wälischmiller and NuVision in the USA. Good performance in UK Manufacturing and improved utilisation, measured through KPIs.

Neil Austin

Objective	Outcome
Integration of Animax into Carr's Group.	Successful integration of financial and support functions and alignment of systems with Group.
Successful continuation of Group ERP project.	Project progressing well and broadly in line with the business plan approved by the Board.
Support CEO in developing and delivery of acquisition pipeline.	Good acquisition identification process in place. Detailed appraisals of acquisition opportunities have been brought to the Board for consideration where appropriate. Thorough due diligence processes in place. Acquisitions in the year have been well executed.
Further develop financial reporting including Engineering KPIs.	Engineering KPIs developed and incorporated into routine management accounts for the Board. Cash flow reporting in Agriculture has improved and plans developed to improve cash flow reporting in Engineering.

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

At the end of the financial year, the Committee undertook a detailed assessment of performance against the non-financial targets. The outcomes from that review are set out above. The Committee accordingly determined that 75% of the available bonus would be payable to Tim Davies (being 15% of the overall annual bonus) and 90% would be payable to Neil Austin (being 18% of the overall annual bonus).

Long term incentive plan
The awards made to Executive Directors in 2016 were subject to Average EPS growth targets over the three year period ending on 31 August 2019. Threshold vesting was set at 3% average annual growth. The Average EPS growth over the three-year period was 14.6% and, accordingly, 100% of shares under the long-term awards made to Executive Directors in 2016 vested.

Long term incentive plan awards during the year (audited)
Long-term awards for 2019 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	188,637	100% of salary	280	25%	August 2021
Neil Austin	139,591	100% of salary	207	25%	August 2021

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.

All employee share plans
The Executive Directors are also eligible to participate in the UK all-employee plans.

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

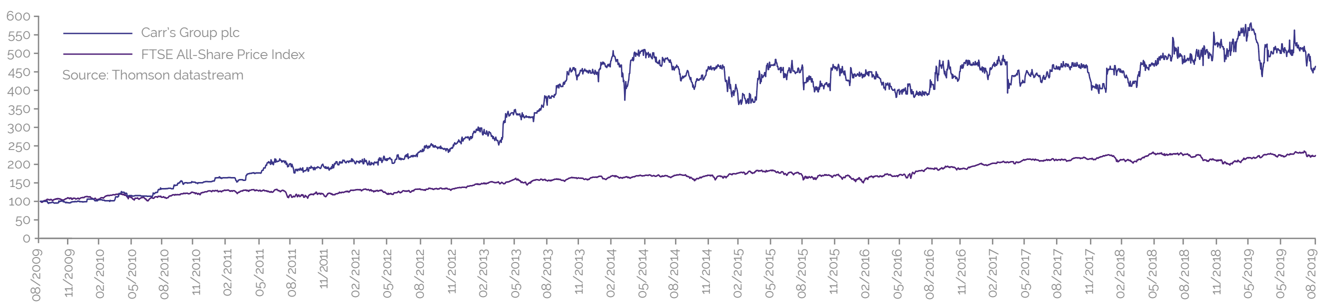
Total pension entitlements (audited)
The table below provides details of the Executive Directors' pension benefits:

	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	-	42
Neil Austin	67	31	-

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.

Payments to past Directors (Audited)
No payments to past Directors have been made to Directors during the year.

Payments for loss of office (Audited)
No payments for loss of office have been made to Directors during the year.

Ten year historical TSR performance


Directors' interests in the shares of the company (audited information)

A summary of interests in shares and scheme interests of the Directors as at 31 August 2019 is given below:

	Total number of interests in shares	Vested LTIP	Unvested LTIP	SAYE (unvested without performance conditions)	Unvested deferred bonus shares	% of shareholding guideline achieved
Executive Directors						
Tim Davies	245,929	185,159	409,035	16,965	43,312	92.8%
Neil Austin	202,054	137,018	302,686	16,965	35,051	101.3%
Non-Executive Directors						
Chris Holmes	749,000	-	-	-	-	n/a
Alistair Wannop	22,610	-	-	-	-	n/a
John Worby	25,000	-	-	-	-	n/a
Ian Wood	20,000	-	-	-	-	n/a

Performance shares (audited information)

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

	2016/17 award	2017/18 award	2018/19 award
Tim Davies	185,159	220,398	188,637
Neil Austin	137,018	163,095	139,591

Assessing pay and performance

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

	2015 Tim Davies	2016 Tim Davies	2017 Tim Davies	2018 Tim Davies	**2019 Tim Davies**
Single figure of total remuneration (£'000)	911	531	308	861	**763**
Annual variable element (actual award versus maximum opportunity)	100%	55%	0%	100%	**60.41%**
Long-term incentive (vesting versus maximum opportunity)	100%	37.45%	0%	100%	**100%**

Change in Chief Executive's Remuneration

In the table opposite we show the percentage change in the Chief Executive's remuneration between 2018 and 2019 financial years compared to the other employees.

	Tim Davies	Other UK employees
Base pay	2.0%	2.0%
Benefits	0%	0%
Annual bonus	-38.3%	-64.5%

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.

Chief Executive Officer Pay Ratio (unaudited)

The table below shows the pay ratio based on the total remuneration of the Chief Executive Officer to the employee on the 25th, 50th and 75th percentile of all permanent UK employees of the Group.

	25th percentile	Median	75th percentile
Total pay	£18,595	£24,648	£34,048
Pay ratio	41	31	22

The Group adopted Option A as defined in The Companies (Miscellaneous Reporting) Regulations 2018, as the calculation methodology for the above ratios. The 25th, median and 75th percentile pay ratios were calculated using the full-time equivalent remuneration for all UK employees as 31 August 2019 being the financial year end.

REMUNERATION COMMITTEE REPORT

CONTINUED

Relative spend on pay

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

	2019 £'000	2018 £'000	% change
Employee costs	**48,397**	43,673	10.8%
Dividends paid to shareholders	**4,173**	3,770	10.7%

External appointments

The Executive Directors did not receive any remuneration in respect of any external appointments in 2018/19.

Implementation of the policy in 2019/20

For 2019, 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 2019 of 2%. This is consistent with the rest of the workforce.

External advisors

During the year, it was not considered necessary for any external consultants to be appointed to advise the Committee and so no fees were incurred. In 2017/18, the Committee appointed New Bridge Street (a part of AON) as an external consultant to advise the Committee in connection with the current Directors' Remuneration Policy. 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.

2019 AGM

At our AGM in January 2019, the Committee's Annual Report on Remuneration received a 99.8% vote in favour (43,461,299 votes), with 0.1% against (141,679 votes) and 0.1% withheld (207,442 votes). The Directors' Remuneration Policy, which was approved at our AGM in January 2018, 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

IAN WOOD
Chairman of the Remuneration Committee
20 November 2019

DIRECTORS' REPORT

The Directors submit their report and the audited accounts of the Company for the year ended 31 August 2019.

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 16-17.

	2019	2018
First Interim dividend per share paid	1.125p	1.075p
Second Interim dividend per share paid	1.125p	1.075p
Final dividend per share proposed	2.5p	2.35p

Subject to approval at the Annual General Meeting, the final dividend will be paid on 10 January 2020 to members on the register at the close of business on 29 November 2019. Shares will be ex-dividend on 28 November 2019.

The Group profit from continuing activities before taxation was £16.3 million (2018: £15.5 million). After taxation charge of £2.7 million (2018: £1.9 million), the profit for the year is £13.6 million (2018: £13.6 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 27 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 34 to 35.

Environment

The Company's report on sustainability including carbon footprint is on pages 36 to 37.

Political and charitable donations

During the period ended 31 August 2019 the Group contributed £41,000 (2018: £28,800) in the UK for charitable purposes. Further details have been included with the Corporate Responsibility statement on page 37. There were no political donations during the year (2018: £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 28 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 7 January 2020, is limited to £758,430.44 which is approximately 33 percent of the nominal value of the issued share capital on 22 November 2018. 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 7 January 2020.

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 £114,913.70, representing approximately 5 percent of the Company's issued share capital as at 22 November 2018. This authority will expire at the end of the Annual General Meeting to be held on 7 January 2020.

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 9,193,096 Ordinary shares being approximately 10 per cent of the Company's issued share capital at 22 November 2018. The price to be paid for any share must not be less than £0.025, 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 7 January 2020.

DIRECTORS' REPORT
CONTINUED

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 60 to 64), are as follows:

	At 31 August 2019 Ordinary Shares	At 1 September 2018 Ordinary Shares
T J Davies	245,929	150,354
N Austin	202,054	131,329
C N C Holmes	749,000	778,000
A G M Wannop	22,610	22,610
J G Worby	25,000	25,000
I Wood	20,000	10,000

All the above interests are beneficial. There have been no changes to the above interests in the period from 1 September 2019 to 15 November 2019.

To enable the vesting of shares under the Group's Long Term Incentive Plan, on 15 November 2019 a total of 513,607 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 7 January 2020 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 following interests at 15 November 2019 in the 92,455,609 ordinary shares of the Company, as required by the Companies Act 2006:

	Number of shares	% of issued share capital
Heygate & Sons Ltd	12,652,870	13.69
BBHISL Nominees Ltd (130227)	4,270,320	4.62
Nortrust Nominees Ltd	4,166,105	4.51
Rathbone Nominees Ltd	2,951,780	3.19
Goldman Sachs Securities (Nominees) Ltd (ILSEG)	2,794,894	3.02

Change of control

There are a number of significant agreements across the Group with provisions that take effect, alter or terminate upon a change of control of the Company, such as bank facility agreements, agreements with strategic partners (including joint venture agreements), employee share scheme rules and certain project contracts within the Engineering division. The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs solely because of a change of control.

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.

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements on the same basis.

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 parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations,or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 38 to 39. Having made enquiries of fellow Directors, each of the Directors at the date of this report confirms that:

- he is not aware of any 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 of the directors in respect of the annual financial report

Each of the Directors confirms that, to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Each of the Directors considers the annual report and accounts, taken as a whole, to be fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By Order of the Boards

M Ratcliffe

MATTHEW RATCLIFFE
Company Secretary
20 November 2019

INDEPENDENT AUDITOR'S REPORT

To the members of Carr's Group plc

1. Our opinion is unmodified

We have audited the financial statements of Carr's Group plc ("the Company") for the year ended 31 August 2019 which comprise the Consolidated Income Statement, Consolidated and Company Statements of Comprehensive Income, Consolidated and Company Balance Sheets, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated and Company Statements of Cash Flows, and the related notes, including the Principal Accounting Policies.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 August 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 8 January 2019. The period of total uninterrupted engagement is for the one financial year ended 31 August 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	£850,000 4.9% of group profit before tax before non-recurring items
Coverage	92% of group profit before tax
Key audit matters	
Risks	The impact of uncertainties due to the UK exiting the European Union on our audit
	Going concern
	Contract risk in Engineering on over time contracts
	Parent Company: Valuation of Carr's Group pension scheme defined benefit obligation
	Parent Company: Valuation of certain Carr's Group defined benefit pension scheme assets
Event driven	Acquisition accounting in respect of the acquisitions of Animax and NW Total Engineered Solutions

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit Refer to page 31 (key risks), page 33 (viability statement) and page 47 (Audit Committee Report).	**Unprecedented levels of uncertainty:** All audits assess and challenge the reasonableness of estimates, in particular as described in the Contract Risk in Engineering on over time contracts, Going Concern, Valuation of Carr's Group pension scheme defined benefit obligation (Parent Company), Valuation of certain Carr's Group defined benefit pension scheme assets (Parent Company) and Acquisition accounting in respect of the acquisitions of Animax and NW Total Engineered Solutions key audit matters below, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: • **Our Brexit knowledge** – We considered the directors' assessment of Brexit-related sources of risk for the group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. • **Sensitivity analysis** – When addressing the going concern assessment and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. • **Assessing transparency** – As well as assessing individual disclosures as part of our procedures on the going concern assessment, we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results** – As reported under the Contract Risk in Engineering on over time contracts, Going Concern, Valuation of Carr's Group pension scheme defined benefit obligation (Parent Company), Valuation of certain Carr's Group defined benefit pension scheme assets (Parent Company) and Acquisition accounting in respect of the acquisitions of Animax and NW Total Engineered Solutions key audit matters, we found the resulting estimates and related disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

	The risk	Our response
Going concern Refer to page 33 (viability statement), page 47 (Audit Committee Report) and page 85 (accounting policy).	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the group and parent company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to adversely affect the Group's and Company's available financial resources over this period were: • The impact of Brexit on the Group's Agriculture customer base in the United Kingdom linked to continued uncertainty over the nature of any future trade agreements and agricultural subsidies; and • The potential impacts of Brexit on the Group's supply chain. There are also less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	Our procedures included: • **Market analysis** – We inquired of key management to better understand the implications of the company's share price performance and implied market expectations on the company's going concern assessment. • **Assessment of forecast models** – We assessed the Group's forecast models to identify and challenge the key underlying inputs and assumptions, comparing the group's assumptions used in the cash flow projections to externally derived data. • **Funding assessment** – We assessed the current and available committed facilities to understand the financial resources available to the Group during the forecast period from the balance sheet date and considered any related covenants requirements and the evidence available regarding whether they will be met. • **Historical comparisons** – We assessed historical forecasting accuracy by comparing forecast cash flows to those actually achieved by the Group. • **Sensitivity analysis** – We challenged the stress testing performed by the directors with reference to our own sensitivity analysis over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects (including the possible impact of Brexit) that could arise from these risks individually and collectively. • **Evaluating directors' intent** – We evaluated the intent of the directors and the achievability of the actions they would take to improve the position should certain risks materialise. • **Assessing transparency** – We assessed the completeness and accuracy of the going concern disclosures in the financial statements with reference to our challenge of the directors' going concern assessment and considered whether they reflected the risks most likely to adversely affect the Group's and Company's available financial resources over the forecast period, and the risks associated with the Group's ability to continue as a going concern. **Our results** – We found the going concern disclosure without any material uncertainty to be acceptable.

	The risk	Our response
Contract risk in Engineering on over time contracts (Revenue: £27.8m) Refer to page 47 (Audit Committee Report), pages 86 and 92 (accounting policy) and pages 95 and 108 (financial disclosures).	**Subjective estimate** For a significant proportion of its contracts in the Engineering division, the Group recognises revenue and profit over time. The recognition of contract revenue and profit over time is dependent upon estimates in relation to the estimated total revenues and forecast total costs of each performance obligation. Areas impacting the recognition of revenue and resulting profit include: • The identification of separate performance obligations and assessing whether each should be recognised over time or at a point in time; • Assessment of stage of completion, estimated total revenues, and forecast costs to complete for each performance obligation; • Consideration of the Group's performance against contractual obligations and the impact on revenue and costs of delivery; • The recognition of contract revenue variations, which should be recognised only when evidence supports the assessment that it is highly probable that a significant reversal in the amount of revenue recognised will not occur; and • The recognition and recoverability of contract assets. We also identified a risk that contract costs could be reallocated between and from contracts, which in turn could impact the assessed stage of completion and related revenue and margin recognition. The effect of these matters is that, as part of our risk assessment, we determined that contract revenue, profit recognition and the recoverability of contract assets involve a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	Our procedures included: Contracts were selected for substantive audit procedures based on quantitative factors, such as financial significance and profitability, and qualitative factors, such as contracts under increased management scrutiny, that we considered to be indicative of risk. Our audit testing for the contracts selected included the following: • **Contract documentation** – We inspected the contract documents and challenged the identification of performance obligations and the method of revenue recognition in accordance with IFRS 15. • **Contract clauses scrutiny** – Our inspection of contract documents included a search for relevant contractual mechanisms such as pain/gain shares and liquidated damages and we assessed how these were reflected in the amounts recognised in the financial statements. • **Challenge key judgements** – For selected higher risk or larger value contracts, we obtained the detailed project review papers and challenged the Group's judgements in respect of contract forecasts, contingencies, and the recoverability of contract assets via agreement to third-party certifications and confirmations, challenge of senior operational, commercial and financial management and with reference to our own expertise. We also performed corroborative inquiries of the Group's in-house legal counsel. • **Independent re-performance** – Where revenue is recognised over time, we recalculated progress towards satisfaction of the performance obligation to assess the expected revenue and profit recognition and compared this to the amounts recorded. • **Tests of detail** – We inspected a sample of correspondence with customers and third parties, including in instances where contract variations have arisen, to challenge the revenue and costs recorded. • **Physical inspection** – We performed physical inspections subsequent to the balance sheet date in respect of selected contracts, physically inspecting the job progress and challenging the stage of completion and forecast cost to complete through observation and discussion with key personnel. • **Cost allocation** – We challenged the allocation of contract costs through vouching costs to source documentation and checking that those costs related to the stated contract, reviewing certain controls including timesheet authorisation, and assessing instances where costs had been reallocated. • **Assessing transparency** – We considered the adequacy of the Group's contract related disclosures including those in respect of estimates and judgements relating to contract revenues and profit recognition. **Our results** – We found the revenues and profit recognised on over time contracts to be acceptable.

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Carr's Group plc

	The risk	Our response
Acquisition accounting in respect of the acquisitions of Animax and NW Total Engineered Solutions Refer to page 31 (key risks), page 47 (Audit Committee Report), pages 85 and 92 (accounting policy) and pages 125 to 126 (financial disclosures).	**Subjective estimate** As described in Note 30 of the financial statements, during the year the Group completed the acquisitions of Animax Limited (on 21 September 2018) and NW Total Engineered Solutions Limited (on 28 June 2019) for total cash consideration of up to £8.5m and £9.6m respectively. These transactions have been accounted for in accordance with IFRS 3 'Business Combinations', with goodwill arising on both transactions. The identified risks in respect of these material acquisitions include: • The identification, completeness and valuation of separately identifiable intangible assets recognised on acquisition; and • The estimation uncertainty associated with the valuation of contingent consideration included as part of the transaction consideration for both acquisitions. The effect of these matters is that, as part of our risk assessment, we determined that the identification and valuation of other intangible assets and the valuation of continent consideration involve estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	Our procedures included: • **Assessment of experts** – We assessed the competence, capabilities and objectivity of the external valuation experts engaged by the Group to assist in estimating the fair value of material intangible assets acquired in both transactions, and in estimating the purchase consideration (including fair valuing the contingent consideration). • **Involvement of specialists** – We involved our own valuation specialists to review the approach and valuation methodologies applied in identifying and valuing the separately identifiable intangible assets, and to assess the valuation approach in respect of the contingent consideration. • **Test of detail** – We inspected the share purchase agreement documents and assessed the Group's acquisition workings and contingent consideration calculations with reference to these documents. • **Assessing transparency** – We considered the adequacy of the Group's business combination related disclosures in respect of the disclosure requirements of IFRS 3. **Our results** – We found the identification and valuation of other intangible assets and the valuation of contingent consideration related to these acquisitions to be acceptable.

	The risk	Our response
Parent Company: Valuation of Carr's Group Pension Scheme defined benefit pension obligation (£68.0m) Refer to page 47 (Audit Committee Report), pages 87 and 92 (accounting policy) and pages 117 to 121 (financial disclosures).	**Subjective valuation** The Company operates a defined benefit pension scheme, the Carr's Group Pension Scheme. The defined benefit obligation in respect of this scheme is material in the context of the overall balance sheet and the results of the Company. Significant estimates in respect of key actuarial assumptions including the discount rate, inflation rate and mortality rate, are made in valuing the Company's defined benefit obligation (before deducting the scheme's assets). The scheme is closed to future accrual, but small changes in the assumptions and estimates would have a material impact on the financial position of the Company. The Company engages external actuarial specialists to assist in selecting appropriate assumptions and to calculate the obligation. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the Carr's Group Pension Scheme defined benefit obligation has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Company's financial statements as a whole, and possibly many times that amount. The financial statements (Note 27) disclose the sensitivities estimated by the Company.	Our procedures included: • **Benchmarking assumptions** – We challenged the key actuarial assumptions applied (discount rate, inflation rate and mortality rate) in estimating the defined benefit obligation with the support of our own pension specialists, including a comparison of the principal assumptions against market data. • **Sensitivity analysis** – We assessed the sensitivity of the defined benefit obligation to changes in certain key actuarial assumptions. • **Assessment of experts** – We assessed the competence, capabilities and objectivity of the external actuary engaged by the Company. • **Assessing transparency** – We considered the adequacy of the Company's disclosures in respect of the sensitivity of the obligation to changes in key assumptions. **Our results** – We found the valuation of the Carr's Group Pension Scheme defined benefit pension obligation to be acceptable.
Parent Company: Valuation of certain Carr's Group defined benefit pension scheme assets (£6.8m) Refer to page 47 (Audit Committee Report), pages 87 and 92 (accounting policy) and pages 117 to 121 (financial disclosures).	**Subjective valuation** The Company operates a defined benefit pension scheme, the Carr's Group Pension Scheme. The Carr's Group Pension Scheme holds assets for which quoted prices are not available. The valuation of these assets can have a significant impact on the surplus. Valuations are prepared based on most recent information available and are updated where appropriate. The effect of this matter is that, as part of our risk assessment, we determined that the valuation of those Carr's Group Pension Scheme assets for which quoted prices are not available is subject to a high degree of estimation uncertainty.	Our procedures included: • **Asset confirmations** – We obtained valuation statements in respect of the scheme's investments directly from fund managers. We compared those confirmations with unaudited net asset value statements and assessed the ability of fund managers to prepare accurate valuations by performing a retrospective review, comparing to the latest available audited financial statements, where applicable. • **Assessment of the fund and fund manager** – We assessed the competence, capabilities, objectivity, internal control environment and the relevant financial regulation of the managers of the funds to assess the ability of the fund managers to prepare accurate valuations and honour prices provided. • **Assessing transparency** – We considered the adequacy of the disclosures in respect of the scheme assets. **Our results** – We found the valuation of the assets for which quoted prices were not available to be acceptable.

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Carr's Group plc

3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £850,000, determined with reference to a benchmark of group profit before tax, normalised to exclude this year's non-recurring items as disclosed in note 5, of which it represents 4.9%.

Materiality for the parent company financial statements as a whole was set at £350,000, determined with reference to a benchmark of company total assets, of which it represents 0.4%.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £42,500, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 52 reporting components, we subjected eight to full scope audit for group purposes. We subjected two components to specified risk-focused audit procedures over property, plant and equipment (one component), revenue, cost of sales, trade and other receivables, trade and other payables (one component) and cash and cash equivalents (two components). The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed. For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

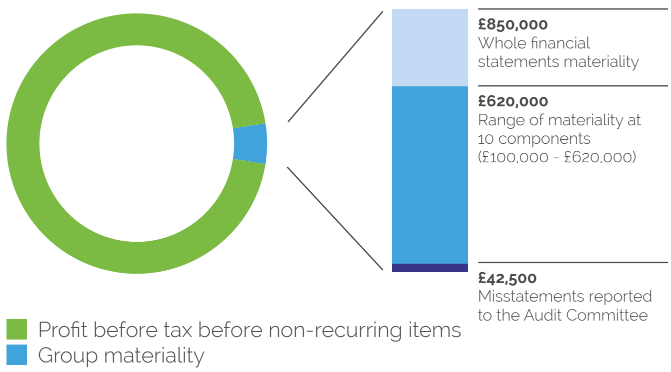
The components within the scope of our work accounted for the percentages illustrated opposite. The remaining 2% of total group revenue, 8% of group profit before tax and 13% of total group assets is represented by eleven reporting components, none of which individually represented more than 5% of any of total group revenue, group profit before tax or total group assets. For these residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £100,000 to £620,000, having regard to the mix of size and risk profile of the Group across the components. The work on two of the eight components subject to full scope audits for group purposes was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team. The Group team performed procedures on the items excluded from normalised group profit before tax.

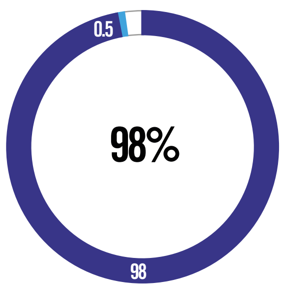
The Group team held telephone conference meetings with the component auditors. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

Profit before tax and non-recurring items £17.2m

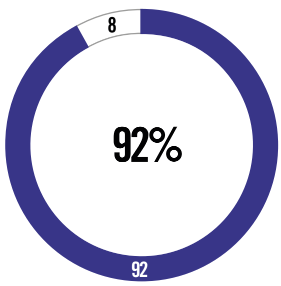
Group Materiality
£850,000



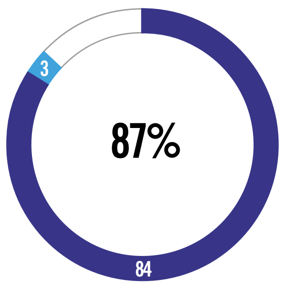
Group revenue



Group profit before tax



Group total assets



- Full scope for group audit purposes 2019
- Specified risk focused audit procedures 2019
- Residual components

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in the Principal Accounting Policies to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the same statement under the Listing Rules is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

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

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement 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 and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered 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.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures
We are required to report to you if:
- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- a corporate governance statement has not been prepared by the company.

We are required to report to you if the Statement of Compliance with UK Corporate Governance Code does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

Based solely on our work on the other information described above:
- with respect to the Statement of Compliance with UK Corporate Governance Code disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
  - we have not identified material misstatements therein; and
  - the information therein is consistent with the financial statements; and
- in our opinion, the Statement of Compliance with UK Corporate Governance Code has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on pages 66 to 67, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
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 other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and, through discussion with the directors and other management (as required by auditing standards) and from inspection of the group's legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation, recognising the nature of the group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Nick Plumb
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle Upon Tyne
NE1 3DX
20 November 2019

CONSOLIDATED INCOME STATEMENT

For the year ended 31 August 2019

	Notes	2019 £'000	2018 £'000
Continuing operations			
Revenue	2,3	**403,905**	403,192
Cost of sales		**(349,798)**	(349,864)
Gross profit		**54,107**	53,328
Distribution costs		**(18,454)**	(18,950)
Administrative expenses		**(20,835)**	(21,188)
Adjusted[1] share of post-tax results of associates		**1,230**	1,634
Non-recurring items	5	**(306)**	-
Share of post-tax results of associates		**924**	1,634
Share of post-tax results of joint ventures		**1,453**	1,581
Adjusted[1] operating profit	2	**18,930**	17,464
Amortisation of acquired intangible assets and non-recurring items	5	**(1,735)**	(1,059)
Operating profit	2,4	**17,195**	16,405
Finance income	7	**463**	358
Finance costs	7	**(1,349)**	(1,261)
Adjusted[1] profit before taxation	2	**18,044**	16,561
Amortisation of acquired intangible assets and non-recurring items	5	**(1,735)**	(1,059)
Profit before taxation	2	**16,309**	15,502
Taxation	8	**(2,685)**	(1,855)
Profit for the year		**13,624**	13,647
Profit attributable to:			
Equity shareholders		**12,049**	11,892
Non-controlling interests		**1,575**	1,755
		13,624	13,647
Earnings per ordinary share (pence)			
Basic	10	**13.1**	13.0
Diluted	10	**12.8**	12.7
Adjusted[1]	10	**14.6**	13.9

[1] Adjusted results are after adding back amortisation of acquired intangible assets and non-recurring items including acquisition costs.

CONSOLIDATED AND COMPANY STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 August 2019

	Notes	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Profit for the year		**13,624**	13,647	**6,768**	2,541
Other comprehensive income/(expense)					
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange translation gains/(losses) arising on translation of overseas subsidiaries		**1,857**	(505)	**-**	-
Net investment hedges		**37**	111	**-**	-
Taxation charge on net investment hedges		**(7)**	(21)	**-**	-
Items that will not be reclassified subsequently to profit or loss:					
Actuarial (losses)/gains on retirement benefit asset:					
– Group	27	**(1,845)**	4,836	**(1,845)**	4,836
– Share of associate		**(88)**	1,194	**-**	-
Taxation credit/(charge) on actuarial (losses)/gains on retirement benefit asset:					
– Group	18	**314**	(822)	**314**	(822)
– Share of associate		**15**	(203)	**-**	-
Other comprehensive income/(expense) for the year, net of tax		**283**	4,590	**(1,531)**	4,014
Total comprehensive income for the year		**13,907**	18,237	**5,237**	6,555
Total comprehensive income attributable to:					
Equity shareholders		**12,332**	16,482	**5,237**	6,555
Non-controlling interests		**1,575**	1,755	**-**	-
		13,907	18,237	**5,237**	6,555

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at 31 August 2019

(Company Number 00098221)

		Group		Company	
	Notes	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Assets					
Non-current assets					
Goodwill	11	**32,877**	24,272	**-**	-
Other intangible assets	11	**9,318**	2,223	**376**	328
Property, plant and equipment	12	**41,917**	38,484	**158**	155
Investment property	13	**164**	170	**-**	-
Investment in subsidiary undertakings	14,17	**-**	-	**26,538**	26,561
Investment in associate	14,15	**13,392**	13,129	**245**	245
Interest in joint ventures	14,16	**9,671**	8,004	**272**	272
Other investments	14	**76**	74	**-**	-
Financial assets					
– Non-current receivables	21	**22**	21	**16,413**	15,405
Retirement benefit asset	27	**7,769**	10,146	**7,769**	10,146
Deferred tax assets	18	**410**	-	**285**	233
		115,616	96,523	**52,056**	53,345
Current assets					
Inventories	19	**46,270**	42,371	**-**	-
Contract assets	20	**9,466**	-	**-**	-
Trade and other receivables	21	**56,349**	67,516	**36,185**	22,515
Current tax assets	22	**-**	119	**840**	1,360
Financial assets					
– Derivative financial instruments	26	**-**	26	**-**	-
– Cash and cash equivalents	23	**28,649**	24,632	**6,778**	4,955
		140,734	134,664	**43,803**	28,830
Total assets		**256,350**	231,187	**95,859**	82,175
Liabilities					
Current liabilities					
Financial liabilities					
– Borrowings	25	**(23,856)**	(34,994)	**(7,806)**	(18,839)
Contract liabilities	20	**(1,269)**	-	**-**	-
Trade and other payables	24	**(62,653)**	(64,290)	**(2,533)**	(2,461)
Current tax liabilities		**(1,010)**	(175)	**-**	-
		(88,788)	(99,459)	**(10,339)**	(21,300)
Non-current liabilities					
Financial liabilities					
– Borrowings	25	**(28,586)**	(4,997)	**(26,846)**	(3,564)
Deferred tax liabilities	18	**(4,987)**	(3,981)	**(1,321)**	(1,725)
Other non-current liabilities	24	**(2,999)**	(1,784)	**-**	-
		(36,572)	(10,762)	**(28,167)**	(5,289)
Total liabilities		**(125,360)**	(110,221)	**(38,506)**	(26,589)
Net assets		**130,990**	120,966	**57,353**	55,586

CONSOLIDATED AND COMPANY BALANCE SHEETS CONTINUED

As at 31 August 2019

(Company Number 00098221)

		Group		Company	
	Notes	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Shareholders' equity					
Share capital	28	**2,299**	2,285	**2,299**	2,285
Share premium		**9,165**	9,141	**9,165**	9,141
Other reserves		**7,922**	5,888	**1,693**	1,537
Retained earnings:					
At beginning of the year		**87,967**	74,802	**42,623**	39,814
Effect of IFRS 15 adoption		**(124)**	–	**-**	-
Profit attributable to the equity shareholders		**12,049**	11,892	**6,768**	2,541
Other changes in retained earnings		**(5,028)**	1,273	**(5,195)**	268
		94,864	87,967	**44,196**	42,623
Total shareholders' equity		**114,250**	105,281	**57,353**	55,586
Non-controlling interests		**16,740**	15,685	**-**	-
Total equity		**130,990**	120,966	**57,353**	55,586

The financial statements set out on pages 78 to 131 were approved by the Board on 20 November 2019 and signed on its behalf by:

TIM J DAVIES

NEIL AUSTIN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 August 2019

	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 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
As previously reported at 1 September 2018	2,285	9,141	-	1,427	4,259	202	87,967	105,281	15,685	120,966
Effect of IFRS 15 adoption	-	-	-	-	-	-	(124)	(124)	-	(124)
At 2 September 2018 (restated)[1]	2,285	9,141	-	1,427	4,259	202	87,843	105,157	15,685	120,842
Profit for the year	-	-	-	-	-	-	12,049	12,049	1,575	13,624
Other comprehensive income/(expense)	-	-	-	-	1,887	-	(1,604)	283	-	283
Total comprehensive income	-	-	-	-	1,887	-	10,445	12,332	1,575	13,907
Dividends paid	-	-	-	-	-	-	(4,173)	(4,173)	(588)	(4,761)
Equity settled share-based payment transactions	-	-	-	53	-	-	759	812	68	880
Allotment of shares	14	24	-	-	-	-	-	38	-	38
Purchase of own shares held in trust	-	-	(13)	-	-	-	-	(13)	-	(13)
Reclassified from liabilities	–	–	–	97	–	–	–	97	–	97
Transfer	-	-	13	-	-	(3)	(10)	-	-	-
At 31 August 2019	**2,299**	**9,165**	**-**	**1,577**	**6,146**	**199**	**94,864**	**114,250**	**16,740**	**130,990**

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 £759,000 (2018: £8,000) 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.

[1] Restated for the adoption of IFRS 15 (note 37)

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 August 2019

	Share Capital £'000	Share Premium £'000	Treasury Share Reserve £'000	Equity Compensation Reserve £'000	Retained Earnings £'000	Total Equity £'000
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
At 2 September 2018	**2,285**	**9,141**	**-**	**1,537**	**42,623**	**55,586**
Profit for the year	**-**	**-**	**-**	**-**	**6,768**	**6,768**
Other comprehensive expense	**-**	**-**	**-**	**-**	**(1,531)**	**(1,531)**
Total comprehensive income	**-**	**-**	**-**	**-**	**5,237**	**5,237**
Dividends paid	**-**	**-**	**-**	**-**	**(4,173)**	**(4,173)**
Equity settled share-based payment transactions	**-**	**-**	**-**	**59**	**520**	**579**
Excess deferred taxation on share-based payments	**-**	**-**	**-**	**-**	**2**	**2**
Allotment of shares	**14**	**24**	**-**	**-**	**-**	**38**
Purchase of own shares held in trust	**-**	**-**	**(13)**	**-**	**-**	**(13)**
Reclassified from liabilities	**-**	**-**	**-**	**97**	**-**	**97**
Transfer	**-**	**-**	**13**	**-**	**(13)**	**-**
At 31 August 2019	**2,299**	**9,165**	**-**	**1,693**	**44,196**	**57,353**

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 £520,000 (2018: £2,000) was transferred from the equity compensation reserve to retained earnings and £301,000 (2018: £9,000) 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 31 August 2019

	Notes	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Cash flows from operating activities					
Cash generated from/(used in) continuing operations	31	**16,004**	14,980	**(2,587)**	(2,124)
Interest received		**178**	226	**1,765**	1,711
Interest paid		**(1,276)**	(1,210)	**(547)**	(513)
Tax paid		**(2,306)**	(2,511)	**492**	(473)
Net cash generated from/(used in) operating activities		**12,600**	11,485	**(877)**	(1,399)
Cash flows from investing activities					
Acquisition of subsidiaries (net of overdraft/cash acquired)		**(9,868)**	(1,522)	**-**	-
Contingent/deferred consideration paid		**(379)**	(2,617)	**-**	-
Net costs of disposal of associate		**-**	(90)	**-**	-
Dividends received from subsidiaries		**-**	-	**6,805**	4,625
Net (payment)/receipt of loans to subsidiaries		**-**	-	**(12,623)**	787
Dividend received from associate and joint ventures		**711**	704	**588**	588
Loan repaid by associate		**-**	1,008	**-**	-
Other loans		**79**	59	**-**	-
Purchase of intangible assets		**(1,310)**	(325)	**(89)**	(328)
Proceeds from sale of property, plant and equipment		**831**	189	**-**	-
Purchase of property, plant and equipment		**(4,471)**	(4,488)	**(46)**	(229)
Purchase of own shares held in trust		**(13)**	-	**(13)**	-
Redemption of preference shares in joint venture	14	**-**	20	**-**	-
Net cash (used in)/generated from investing activities		**(14,420)**	(7,062)	**(5,378)**	5,443
Cash flows from financing activities					
Proceeds from issue of ordinary share capital	28	**38**	11	**38**	11
New bank loans and movement on RCF		**14,430**	(2,076)	**13,763**	(2,076)
Finance lease principal repayments		**(1,278)**	(997)	**-**	-
Repayment of borrowings		**(2,493)**	(3,241)	**(1,613)**	(1,750)
(Decrease)/increase in other borrowings		**(1,352)**	8,934	**-**	-
Dividends paid to shareholders	9	**(4,173)**	(3,770)	**(4,173)**	(3,770)
Dividends paid to related party		**(588)**	(588)	**-**	-
Net cash generated from/(used in) financing activities		**4,584**	(1,727)	**8,015**	(7,585)
Effects of exchange rate changes		**526**	(305)	**63**	2
Net increase/(decrease) in cash and cash equivalents		**3,290**	2,391	**1,823**	(3,539)
Cash and cash equivalents at beginning of the year		**21,005**	18,614	**4,955**	8,494
Cash and cash equivalents at end of the year	23	**24,295**	21,005	**6,778**	4,955

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, Cumbria 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 certain financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The accounting policies for the Group and Company are detailed below:

Going concern

The Directors have reviewed the Group's operational forecasts and projections for the next 12 months, taking account of reasonably possible changes in trading performance, together with the planned capital investment over that same period. The Group is expected to have a sufficient level of financial resources available through operating cash flows and existing bank facilities.

The key risks to future performance are discussed on pages 30 to 32 in the strategic report. The financial position of the Group including cash flows and borrowing facilities are described in the financial review on pages 16 to 17 in the strategic report.

After making enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

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 associate and joint ventures. The financial information of the subsidiaries, associate 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.

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.

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 this definition of control.

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 results 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 associate 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. Contingent consideration is measured initially at fair value and is revalued to fair value at each subsequent period end until the period in which it is settled.

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.

PRINCIPAL ACCOUNTING POLICIES
CONTINUED

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, associate and joint ventures are prepared using their functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Group and Company is Sterling.

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

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

Revenue recognition
Revenue is recognised when the Group transfers control over a product or service to its customer. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Inter segmental transactions are on an arm's length basis.

The Group recognises revenue both at a point in time and over time. Revenues generated by the Group's Agriculture division are recognised at a point in time. Revenues generated by the Group's Engineering division are recognised over time where the contract with the customer does not create an asset with an alternative use and where there is an enforceable right to payment for performance completed to date. Where this is not the case revenue is recognised at a point in time.

In respect of contracts that meet the criteria to be recognised over time, revenue is calculated on the basis of the stage of completion of each contract.

The Group applies a single method of measuring progress for each performance obligation satisfied over time and applies this method consistently to similar performance obligations and in similar circumstances. Depending on the nature and circumstances of the performance obligation, the stage of completion is determined with reference to either:
- The proportion that contract costs incurred for work performed to date bear to the total estimated contract costs; or
- The proportion that contract output is delivered towards complete satisfaction of the performance obligation with reference to certified contract works.

Revenue is recognised for a performance obligation satisfied over time only if the Group can reasonably measure its progress towards complete satisfaction of the performance obligation. In circumstances when it cannot reasonably measure the outcome, but expects to recover the costs incurred in satisfying the performance obligation, the Group recognises revenue only to the extent of the costs incurred. The Group would not be able to reasonably measure its progress towards complete satisfaction of a performance obligation if it lacks reliable information that would be required to apply an appropriate method of measuring progress.

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.

Contract modifications such as variations to the original order are not accounted for until they are approved by the customer. Where a modification to an existing contract occurs, the nature of the modification is assessed to determine whether it represents a separate performance obligation required to be satisfied by the Group or whether it is a modification to the existing performance obligation.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not apply the time value of money to its transaction prices.

Incremental costs of obtaining a contract with a customer are only recognised when it is expected that these costs will be recovered. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained. Where the amortisation period of an asset that would otherwise have been recognised is one year or less, the incremental costs of obtaining a contract are expensed when incurred.

IFRS 15 introduces new asset and liability categories, 'Contract assets' and 'Contract liabilities'. Contract assets exist when the Group has a right to consideration in exchange for goods or services transferred to a customer when that right is conditional on something other than the passage of time (e.g. future performance). Contract liabilities exist when the Group has an obligation to transfer goods or services to a customer for which the Group has already received consideration. The Group has adopted IFRS 15 with effect from 2 September 2018 and has applied the standard retrospectively.

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 considered recoverable, is 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. Following a review of the Scheme's Trust deed the Directors believe there is a right to recognise the IAS 19 pension surplus. At 31 August 2019 and 1 September 2018 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 27 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.

PRINCIPAL ACCOUNTING POLICIES
CONTINUED

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, adjustments to contingent consideration arising from fair value revaluation, asset impairments including impairment of goodwill and the past service costs in respect of GMP equalisation.

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 – 10 years
Brands	6 – 25 years
Know-how	15 years
Proprietary technology	5 – 13 years
Development costs	5 – 15 years
Patents and trademarks	contractual life
Contract backlog	3 years
Software	3 – 10 years

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 inflows that are largely independent of those from other assets or groups of assets, the recoverable amount of the cash generating unit to which the asset belongs is determined. Discount rates reflecting the asset specific risks and the time value of money are used for the value in use calculation.

Inventories

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

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

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

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.

PRINCIPAL ACCOUNTING POLICIES
CONTINUED

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 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.

Classification of financial instruments issued by the Group and Company
Financial instruments issued by the Group and Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group or Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group or Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

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.

Financial assets classified under IAS 39 as loans and receivables continue to be classified within the amortised cost category under IFRS 9. This includes current trade and other receivables and non-current receivables on the Group and Company balance sheets.

The Group and Company classifies its financial assets under the measurement categories of amortised cost, for non-derivative financial assets, or measured subsequently at fair value through either profit or loss or comprehensive income.

Non-derivative financial assets
Non-derivative financial assets include contract assets, trade and other receivables and non-current receivables. As these categories of financial assets do not carry a significant financing element, expected credit losses are measured using the simplified impairment approach. This requires expected lifetime losses to be recognised upon the initial recognition of the asset.

Non-derivative financial assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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. The Group continues to apply IAS 39 for the purposes of hedge accounting as permitted by IFRS 9.

New standards and interpretations

From 2 September 2018 the following became effective and were adopted by the Group and Company:

IFRS 9 'Financial instruments'
IFRS 15 'Revenue from contracts with customers'
Clarifications to IFRS 15 'Revenue from contracts with customers'
Amendment to IFRS 15 – effective date of IFRS 15
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'
IFRIC 22 Foreign currency transactions and advance consideration
Amendment to IAS 40 'Investment property' relating to transfers of investment property
Annual improvements to IFRSs – 2014-2016 cycle

With the exception of IFRS 9 and IFRS 15, which are discussed further below, the adoption of the above amendments and interpretations has had no impact on the Group or Company's profit for the year or equity.

The Group and Company adopted IFRS 9 'Financial instruments' retrospectively from 2 September 2018. There was no material impact on adoption of this new standard.

The Group and Company adopted IFRS 15 with effect from 2 September 2018 and has applied the standard retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group has restated its opening equity position as at 2 September 2018 by a charge of £0.1m. Comparative information has not been restated and is therefore still reported under IAS 11 and IAS 18. To assist comparability, note 37 shows the balance sheet as at 31 August 2019 had the Group continued to adopt IAS 11 and IAS 18.

New standards, amendments and interpretations issued but not yet effective and not early adopted

IFRS 16 'Leases'
IFRIC 23 Uncertainty over income tax treatments
Amendment to IFRS 9 Financial instruments on prepayment features with negative compensation
Amendments to IAS 28 'Investment in associates', on long term interests in associates and joint ventures
Annual improvements to IFRSs – 2015-2017 cycle
Amendments to IAS 19 'Employee Benefits'

IFRS 16, "Leases", is effective for periods beginning on or after 1 January 2019, and will therefore first apply to Carr's in the year ending August 2020. Under IFRS 16, leases currently treated as operating leases such as property leases, company cars and some IT equipment will be recorded as an asset and a lease liability.

The Group intends to apply the modified retrospective approach to transition and comparative amounts will not be restated. On transition to IFRS 16 total assets will increase by approximately £8.2m-£13.6m with total liabilities increasing by approximately £9.3m-£15.4m.

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.

The following is considered to be a significant judgement.

Recognition of pension scheme surplus
The balance sheet includes a retirement benefit asset of £7.8m (2018: £10.1m). Significant judgement is required over the right to recognise this surplus under IFRIC 14. Following a review of the Scheme's Trust deed the Directors believe there is a right to recognise the IAS 19 pension surplus in full.

PRINCIPAL ACCOUNTING POLICIES

CONTINUED

Significant judgements, key assumptions and estimates continued
The following are considered to be accounting estimates.

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 27 and actual returns on scheme assets compared to those predicted in the previous scheme valuation. In addition, for assets falling within the IFRS 13 fair value hierarchy level 3 inputs category there is exposure to estimation uncertainty when estimating the asset value. It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the assets affected. An income statement charge of £795,000 has been recognised in respect of the impact of GMP equalisation for the Carr's Group Pension Scheme. The carrying value of the defined benefit pension scheme surplus at 31 August 2019 is £7.8m (2018: £10.1m). More information on the pension scheme is given in note 27.

In addition, the associate's defined benefit pension scheme is also subject to these estimation uncertainties. The surplus being recognised by the associate is £1.9m (2018: £2.0m) of which the Group recognises 49% in its balance sheet within its 'Investment in associate'.

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 of £nil (2018: £0.5m) was identified. The carrying value of goodwill at 31 August 2019 is £32.9m (2018: £24.3m). Further details of cash generating units and stress testing performed on the carrying values can be found in note 11.

Provision for impairment of trade receivables
The financial statements include a provision for impairment of trade receivables 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. The carrying value of the provision for impairment of trade receivables at 31 August 2019 is £1.3m (2018: £1.7m). Further details of the provision, including ageing profile, can be found in note 21.

Revenue recognition on contracts
For contracts recognised over time the Group recognises revenue and profits based on the stage of completion. This requires management to make an assessment of performance obligations under each contract, the ability to reasonably estimate the outcome, and the point at which those obligations have been fulfilled. Management use estimates and judgements when assessing the total expected costs on a contract. The Group has controls in place to review and moniter the estimates used to ensure they are appropriate. Disclosures relating to the disaggregation of revenue for revenues recognised at a point in time and revenues recognised over time can be found in note 3. The Group has adopted IFRS 15 with effect from 2 September 2018 and has applied the retrospective approach.

Valuation of acquired intangible assets
IFRS 3 'Business combinations' requires the acquiror to fair value identifiable assets of an acquired business including intangible assets. The fair value of intangible assets is determined using valuation techniques such as relief-from-royalty, replacement cost and multi-period excess earnings method. These techniques and models require inputs based on estimations such as forecasted profits, technology obsolescence rates, royalty rates, discount rates and useful economic lives.

During the year the Group made acquisitions with a combined intangible asset fair value of £6.6m (note 30).

Valuation of contingent consideration
IFRS 3 'Business combinations' requires contingent consideration to be measured initially at fair value and then subsequently revalued to fair value at each period end. This involves an estimate of expected future payments based on profit forecasts and discount rates to reflect the time value of money. The Group recognised in its acquisition accounting contingent consideration of £2.1m for Animax Ltd and £3.2m for NW Total Engineered Solutions Ltd. Note 30 includes a table showing the consideration for each acquisition split between initial cash consideration and contingent consideration.

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 £6,768,000 (2018: £2,541,000).

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, feed blocks and animal health products 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, naval defence, 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 and amortisation of acquired intangible assets (note 5) 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 31 August 2019 is as follows:

	Agriculture £'000	Engineering £'000	IAS 19 past service cost £'000	Group £'000
Total segment revenue	357,399	46,556	-	403,955
Inter segment revenue	(11)	(39)	-	(50)
Revenue from external customers	357,388	46,517	-	403,905
Adjusted[1] EBITDA[2]	13,909	7,247	-	21,156
Depreciation, amortisation and profit/(loss) on disposal of property, plant and equipment	(3,000)	(1,909)	-	(4,909)
Share of post-tax results of associate (adjusted[1]) and joint ventures	2,683	-	-	2,683
Adjusted[1] operating profit	13,592	5,338	-	18,930
Amortisation of acquired intangible assets and non-recurring items	(701)	(239)	(795)	(1,735)
Operating profit	12,891	5,099	(795)	17,195
Finance income				463
Finance costs				(1,349)
Adjusted[1] profit before taxation				18,044
Amortisation of acquired intangible assets and non-recurring items				(1,735)
Profit before taxation				16,309

1 Adjusted results are after adding back amortisation of acquired intangible assets and non-recurring items including acquisition costs (note 5).
2 Earnings before interest, tax, depreciation, amortisation, profit/(loss) on the disposal of property, plant and equipment and share of post-tax results of associate and joint ventures.

2 Segmental information continued

Assets

	Agriculture £'000	Engineering £'000	Group £'000
Segment gross assets	**168,342**	**88,008**	**256,350**

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[1] EBITDA[2]	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[1] 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[1] profit before taxation			16,561
Amortisation of acquired intangible assets and non-recurring items			(1,059)
Profit before taxation			15,502

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

2 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	159,305	71,882	231,187

Entity wide disclosures

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

Revenues from external customers:

	2019 £'000	2018 £'000
UK	**346,824**	341,905
Europe	**12,012**	17,201
USA	**43,734**	42,897
New Zealand	**1,298**	1,178
Other	**37**	11
	403,905	403,192

2 Segmental information continued

Non-current assets

	2019 UK £'000	2019 Europe £'000	2019 USA £'000	2019 New Zealand £'000	2019 Total £'000	2018 UK £'000	2018 Europe £'000	2018 USA £'000	2018 New Zealand £'000	2018 Total £'000
Goodwill	17,855	5,997	9,025	-	32,877	9,856	5,946	8,470	-	24,272
Other intangible assets	7,516	560	1,242	-	9,318	430	447	1,346	-	2,223
Property, plant and equipment	25,690	8,629	7,561	37	41,917	22,524	8,463	7,448	49	38,484
Investment property	164	-	-	-	164	170	-	-	-	170
Investment in associate	13,392	-	-	-	13,392	13,129	-	-	-	13,129
Interest in joint ventures	2,470	3,102	4,099	-	9,671	2,101	2,644	3,259	-	8,004
Other investments	50	1	25	-	76	50	1	23	-	74
Non-current receivables	-	-	22	-	22	-	-	21	-	21
Retirement benefit asset	7,769	-	-	-	7,769	10,146	-	-	-	10,146
	74,906	18,289	21,974	37	115,206	58,406	17,501	20,567	49	96,523

Major customers

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

3 Revenue

Disaggregation of revenue

In accordance with IFRS 15 'Revenue from Contracts with Customers' the following table presents the Group's reported revenue for the year ended 31 August 2019 disaggregated based on the timing of revenue recognition. The Group implemented the new standard on 2 September 2018.

Timing of revenue recognition	Total £'000
Over time	27,840
At a point in time	376,065
	403,905

Transaction price allocated to the remaining performance obligations

	2020 £'000	2021 £'000	2022 onwards £'000	Total £'000
Total transaction price allocated to the remaining performance obligations	18,304	5,004	1,145	24,453

The total transaction price allocated to the remaining performance obligations represents the contracted revenue to be earned by the Group for distinct goods and services which the Group has promised to deliver to its customers. These include promises which are partially satisfied at the period end or those which are unsatisfied but which the Group has committed to providing. In deriving this transaction price, any element of variable revenue is estimated at a value that is highly probable not to reverse in the future.

The transaction price above does not include any estimated revenue to be earned on framework contracts for which a firm order or instruction has not been received by the customer.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

4 Operating profit

	2019 £'000	2018 £'000
Group operating profit is stated after (crediting)/charging:		
Amortisation of grants	(54)	(54)
(Profit)/loss on disposal of property, plant and equipment	(30)	19
Depreciation of property, plant and equipment	4,804	4,372
Depreciation of owned investment property	6	6
Amortisation of intangible assets	943	397
Goodwill impairment (note 5)	-	516
Business combination expenses (note 5)	509	251
Restructuring/closure costs (note 5)	437	-
Foreign exchange (gains)/losses	(153)	178
Derivative financial instruments losses/(gains)	26	(31)
Operating lease charges	2,094	1,953
Research and development expense	3,111	1,575
Auditors' remuneration:		
Audit services (Company £16,719; 2018: £16,391)	73	78
The auditing of accounts of subsidiaries of the Company pursuant to legislation (including overseas)	184	169
Total audit services	257	247

	2019 £'000	2018 £'000
Included within Group operating profit is the following in respect of investment property leased to, and occupied by, external parties:		
Rental income	(40)	(44)
Operating expenses	42	48
	2	4

5 Amortisation of acquired intangible assets and non-recurring items

	2019 £'000	2018 £'000
Amortisation of acquired intangible assets (i)	814	292
Past service cost – Group (ii)	795	-
Past service cost – share of associate (ii)	306	-
Goodwill impairment (iii)	-	516
Business combination expenses (iv)	509	251
Adjustments to contingent consideration (v)	(1,126)	-
Restructuring/closure costs (vi)	437	-
	1,735	1,059

(i) Amortisation of acquired intangible assets which do not relate to the underlying profitability of the Group but rather relate to costs arising on acquistion of businesses.

(ii) For further details of the past service costs see note 27.

(iii) The goodwill impairment recognised in the prior year was against the carrying value of goodwill in respect of the Bendalls Engineering business.

(iv) Business combination expenses relate to acquisition costs incurred in the year, and in respect of prior years contingent consideration in relation to the acquisitions of Phoenix Feeds Ltd and the business and certain assets of Mortimer Feeds Ltd which is explained further below.

Phoenix Feeds Ltd 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 year ended 3 September 2016. It is instead being recognised in the income statement over a two year period with £nil (2018: £184,000) recognised in the current year. Given the nature of the payment it has been recognised as a non-recurring item.

5 Amortisation of acquired intangible assets and non-recurring items continued

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 year ended 2 September 2017. It is instead being recognised in the income statement over a one year period with £nil (2018: £30,000) recognised in the current year. Given the nature of this payment it has been recognised as a non-recurring item.

(v) Adjustments to contingent consideration arise from the revaluation of contingent consideration in respect of acquisitions to fair value at the year end. Any gain or loss related to the revaluation to fair value is recognised through the income statement. The Group has recognised a gain on the revaluation to fair value of the contingent consideration payable to the vendors of NuVision Engineering, Inc. and Animax Ltd. This gain arises from changes to the expected payments since the previous year end, or acquisition date in respect of Animax Ltd, based on updated forecasts. As this gain does not relate to the underlying profitability of the Group it has been recognised as a non-recurring item.
(vi) Restructuring/closure costs include redundancy costs.

6 Staff costs

The tables below include Directors.

	2019 £'000	2018 £'000
Wages and salaries	39,868	36,467
Social security costs	4,460	3,946
Pension costs	3,189	2,135
Share based payments	880	1,125
	48,397	43,673

Included within pension costs is a charge of £816,000 (2018: £24,000) in respect of the defined benefit pension scheme. This includes a charge of £795,000 (2018: £nil) in respect of GMP equalisation. Further details of this charge can be found in note 27. The average monthly number of employees during the year was made up as follows:

	2019 Number	2018 Number
Sales, office and management	614	532
Manufacture and distribution	539	466
	1,153	998

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

The following amounts are disclosed in accordance with Schedule 5 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008.

	2019 £'000	2018 £'000
Aggregate Directors' remuneration[1]	1,012	1,169
Aggregate pension contributions[2]	20	20
Aggregate amount of gains on exercise of share options[3]	471	-
	1,503	1,189

[1] salary (after salary sacrifice of pension), fees, bonuses, pay in lieu of pension and benefits in kind
[2] cash contributions paid in the year into the defined contribution pension scheme
[3] gains realised in the year in respect of the LTIP

The number of directors in the defined contribution pension scheme during the year was two (2018: two).

Further details of the Directors' emoluments, pension benefits and share options are given in the Remuneration Committee Report on pages 52 to 64.

7 Finance income and finance costs

	2019 £'000	2018 £'000
Finance income		
Bank interest	127	145
Net interest on the net defined benefit retirement asset (note 27)	284	125
Interest on loan with associate	-	71
Other interest	52	17
Total finance income	463	358
Finance costs		
Interest payable on bank overdrafts	(117)	(177)
Interest payable on bank loans and other borrowings	(1,016)	(832)
Interest payable on finance leases	(82)	(75)
Other interest	(134)	(177)
Total finance costs	(1,349)	(1,261)

8 Taxation

(a) Analysis of the charge in the year

	2019 £'000	2018 £'000
Current tax:		
UK corporation tax		
Current year	1,447	1,352
Adjustment in respect of prior years	45	(228)
Foreign tax		
Current year	1,557	1,549
Adjustment in respect of prior years	109	-
Group current tax	3,158	2,673
Deferred tax:		
Origination and reversal of timing differences		
Current year	(357)	(796)
Adjustment in respect of prior years	(116)	(22)
Group deferred tax (note 18)	(473)	(818)
Tax on profit	2,685	1,855

Deferred tax recognised in equity is disclosed in note 18.

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2018: lower) than the rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
Profit before taxation	16,309	15,502
Tax at 19% (2018: 19%)	3,099	2,945
Effects of:		
Tax effect of share of results of associates and joint ventures	(452)	(611)
Tax effect of expenses that are not allowable in determining taxable profit	180	300
Tax effect of non-taxable income	(482)	(310)
Effects of different tax rates of foreign subsidiaries	256	227
Effects of changes in deferred tax rates	(24)	(490)
Unrecognised deferred tax on losses	70	44
Adjustment in respect of prior years	38	(250)
Total tax charge for the year	2,685	1,855

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

8 Taxation continued

The tax effect of non-taxable income includes non-recurring items of adjustments to contingent consideration (note 5) and the effect of income within the patent box regime.

The effect of changes in deferred tax rates in the prior year includes the effect on deferred tax balances following the reduction in US Federal tax rates.

(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%.

9 Dividends

Equity	2019 £'000	2018 £'000
Second interim paid for the year ended 1 September 2018 of 1.075p per 2.5p share (2017: 0.95p)	983	868
Final dividend for the year ended 1 September 2018 of 2.35p per 2.5p share (2017: 2.1p)	2,156	1,919
First interim paid for the year ended 31 August 2019 of 1.125p per 2.5p share (2018: 1.075p)	1,034	983
	4,173	3,770

Since the year end a second interim dividend of £1,034,348, being 1.125p per share, has been paid. The financial statements do not reflect the dividend payable.

The proposed final dividend for the year ended 31 August 2019 to be considered by shareholders at the Annual General Meeting is £2,310,140 being 2.5p per share, making a total for the year of 4.75p (2018: 4.5p). Shares held in treasury do not carry entitlement to a dividend. The financial statements do not reflect this proposed final dividend as payable.

10 Earnings per ordinary share

Earnings per share are calculated by reference to a weighted average of 91,828,015 shares (2018: 91,402,338) 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:

	2019		2018	
	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
Earnings per share – basic	12,049	13.1	11,892	13.0
Amortisation and non-recurring items:				
Amortisation of acquired intangible assets	814	0.9	292	0.3
Past service cost – Group	795	0.9	-	-
Past service cost – share of associate	306	0.3	-	-
Goodwill impairment	-	-	516	0.6
Business combination expenses	509	0.6	251	0.3
Adjustments to contingent consideration	(1,126)	(1.2)	-	-
Restructuring/closure costs	437	0.5	-	-
Taxation effect of the above	(367)	(0.4)	(60)	(0.1)
Non-controlling interest in the above	(57)	(0.1)	(145)	(0.2)
Earnings per share – adjusted	13,360	14.6	12,746	13.9

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 29.

10 Earnings per ordinary share continued

	2019 Earnings £'000	2019 Weighted average number of shares	2019 Earnings per share pence	2018 Earnings £'000	2018 Weighted average number of shares	2018 Earnings per share pence
Earnings per share	12,049	91,828,015	13.1	11,892	91,402,338	13.0
Effect of dilutive securities:						
Share save scheme	-	748,265	(0.1)	-	405,079	(0.1)
Long term incentive plan	-	1,771,378	(0.2)	-	1,631,190	(0.2)
Diluted earnings per share	12,049	94,347,658	12.8	11,892	93,438,607	12.7

	2019 Adjusted earnings £'000	2019 Weighted average number of shares	2019 Earnings per share pence	2018 Adjusted earnings £'000	2018 Weighted average number of shares	2018 Earnings per share pence
Diluted adjusted earnings per share	13,360	94,347,658	14.2	12,746	93,438,607	13.6

11 Goodwill and other intangible assets

	Group							Company
	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 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
Exchange differences	606	-	7	96	15	8	732	-
Subsidiaries acquired	7,999	3,303	1,999	1,302	-	-	14,603	-
Additions	-	-	178	8	-	1,165	1,351	89
At 31 August 2019	35,418	3,392	2,714	3,105	250	2,273	47,152	417
Accumulated amortisation and impairment								
At 3 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	-
Exchange differences	-	-	1	26	9	7	43	-
Charge for the year	-	122	461	205	80	75	943	41
At 31 August 2019	2,541	211	538	692	174	801	4,957	41
Net book amount								
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
At 31 August 2019	32,877	3,181	2,176	2,413	76	1,472	42,195	376

During the year goodwill of £7,999,000 arose on acquisitions (note 30).

11 Goodwill and other intangible assets continued

During the prior year goodwill of £658,000 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 £516,000 was recognised against the carrying value of goodwill in respect of the Bendalls engineering business.

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.

The carrying value of goodwill has been allocated to the following cash generating units:

	2019 £'000	2018 £'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**	783
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 Billington Agriculture (Sales) Ltd – Cockermouth profit centre	**23**	-
Carrs Agriculture Ltd – UK feed blocks	**2,068**	2,068
Animal Feed Supplement, Inc.	**21**	19
Wälischmiller Engineering GmbH	**5,997**	5,946
Carr's Engineering Ltd – Chirton profit centre	**2,526**	2,526
NuVision Engineering, Inc.	**9,004**	8,451
Animax Ltd	**1,742**	-
NW Total Engineered Solutions Ltd	**6,234**	-
	32,877	24,272

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

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

Cash flows are estimated using the most recent budget information for the year to August 2020, which has been approved by the Board and forecast information for the four years to August 2024 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 are in the range 3.42 %– 10.29% (2018: 5.23% – 10.82%).

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.

Significant headroom exists in each of the 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 of acquired intangible assets and non-recurring items (note 5) where they relate to acquired intangible assets.

There is no goodwill in the Company (2018: none).

11 Goodwill and other intangible assets continued

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.	**9,004**	**10.29**	**-**	**2**
NW Total Engineered Solutions Ltd	**6,234**	**10.29**	**3.4**	**2**
Wälischmiller Engineering GmbH	**5,997**	**10.29**	**3.1**	**2**
Carr's Engineering Ltd – Chirton profit centre	**2,526**	**10.29**	**-**	**2**
Carrs Agriculture Ltd – UK feed blocks	**2,068**	**3.42**	**2.8**	**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 51% in NuVision Engineering Inc, by 53% in NW Total Engineered Solutions Ltd, by 59% in Wälischmiller Engineering GmbH, by 41% in Carr's Engineering Ltd – Chirton profit centre and by 99% in Carrs Agriculture Ltd – UK feed blocks.

12 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 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**
Exchange differences	**366**	**763**	**17**	**1,146**	**-**
Subsidiaries acquired	**1,405**	**811**	**-**	**2,216**	**-**
Additions	**626**	**4,796**	**944**	**6,366**	**46**
Disposals	**-**	**(3,187)**	**-**	**(3,187)**	**(11)**
Reclassifications	**1,796**	**104**	**(1,942)**	**(42)**	**-**
At 31 August 2019	**32,418**	**48,656**	**701**	**81,775**	**640**
Accumulated depreciation					
At 3 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**
Exchange differences	**118**	**530**	**-**	**648**	**-**
Charge for the year	**983**	**3,821**	**-**	**4,804**	**43**
Disposals	**-**	**(2,386)**	**-**	**(2,386)**	**(11)**
At 31 August 2019	**8,473**	**31,385**	**-**	**39,858**	**482**
Net book amount					
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
At 31 August 2019	**23,945**	**17,271**	**701**	**41,917**	**158**

12 Property, plant and equipment continued

Freehold land amounting to £2,994,878 (2018: £2,979,029) has not been depreciated.

The net book amount of plant and equipment includes £3,937,393 (2018: £3,673,849) in respect of assets held under finance leases. This consists of cost of £5,711,100 (2018: £5,351,435) less accumulated depreciation of £1,773,707 (2018: £1,677,586). 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 £1,504,000 (2018: £1,558,000).

Included in the above table in respect of assets held under floating charges are assets with a net book amount of £7,668,000 (2018: £7,507,000). This excludes specific assets under legal charge and assets secured under finance leases both of which are separately disclosed above.

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

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Cost of sales	**3,696**	3,594	**-**	-
Distribution costs	**8**	16	**-**	-
Administrative expenses	**1,100**	762	**43**	15
	4,804	4,372	**43**	15

13 Investment property

Group	Total £'000
Cost	
At 3 September 2017, 1 September 2018 and 31 August 2019	**299**
Accumulated depreciation	
At 3 September 2017	123
Charge for the year	6
At 1 September 2018	**129**
Charge for the year	**6**
At 31 August 2019	**135**
Net book amount	
At 2 September 2017	176
At 1 September 2018	170
At 31 August 2019	**164**

The fair value of investment properties at 31 August 2019 is £360,000 (2018: £360,000). Investment properties were valued by independent professionally qualified valuers in October 2016. The Directors are satisfied that there has been no significant change in fair value since that date.

There is no investment property in the Company (2018: none).

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14 Investments

Group	Associates £'000	Joint ventures £'000	Other investments £'000	Total £'000
Cost				
At 3 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**
Exchange difference	**–**	**194**	**2**	**196**
Share of post-tax result	**924**	**1,453**	**–**	**2,377**
Share of (losses)/gains recognised directly in equity	**(73)**	**143**	**–**	**70**
Dividend paid by associate and joint ventures	**(588)**	**(123)**	**–**	**(711)**
At 31 August 2019	**13,392**	**9,671**	**85**	**23,148**
Accumulated provision for impairment				
At 3 September 2017, 1 September 2018 and 31 August 2019	**–**	**–**	**9**	**9**
Net book amount				
At 2 September 2017	11,443	6,590	73	18,106
At 1 September 2018	13,129	8,004	74	21,207
At 31 August 2019	**13,392**	**9,671**	**76**	**23,139**

In 2017 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 prior year NuVision Engineering, Inc., disposed of its investment in Mid Columbia Engineering, Inc.

Other investments comprise shares in several private limited companies.

Company	Shares in subsidiaries £'000	Associate £'000	Joint ventures £'000	Total £'000
Cost				
At 3 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**
Share based payment charge in respect of employees of subsidiary undertakings	**(23)**	**–**	**–**	**(23)**
At 31 August 2019	**31,332**	**245**	**272**	**31,849**
Accumulated provision for impairment				
At 3 September 2017, 1 September 2018 and 31 August 2019	**4,794**	**–**	**–**	**4,794**
Net book amount				
At 2 September 2017	26,192	245	272	26,709
At 1 September 2018	26,561	245	272	27,078
At 31 August 2019	**26,538**	**245**	**272**	**27,055**

15 Investment in associate

The associated undertaking at 31 August 2019 is:

Group and Company

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. The registered office of the associate is Cunard Building, Water Street, Liverpool L3 1EL.

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.

The associate is accounted for using the equity method.

At the year end Carrs Billington Agriculture (Operations) Ltd had capital commitments of £1,269,000 (2018: £70,000). No contingent liabilities exist within the associate.

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

	2019 £'000	2018 £'000
Total assets	**43,407**	44,818
Total liabilities	**(16,076)**	(18,024)
Revenues	**134,758**	138,401
Profit after tax	**1,885**	3,335

16 Interest in joint ventures

The joint ventures at 31 August 2019 are:

Group

Name	Interest held Equity %	Country of incorporation	Country of operation	Activity
Crystalyx Products GmbH	50	Germany[1]	Germany	Manufacture of animal feed blocks
Bibby Agriculture Ltd	26	England[2]	UK	Sale of agricultural products
Afgritech Ltd	50	England[2]	UK	Holding company
Afgritech LLC	50	USA[3]	USA	Producers of ingredients of animal feed
Gold-Bar Feed Supplements LLC	50	USA[4]	USA	Manufacture of animal feed blocks
ACC Feed Supplement LLC	50	USA[5]	USA	Manufacture of animal feed blocks
Silloth Storage Company Ltd	50	England[6]	UK	Storage of molasses

1 Registered Office address: Industrieweg 110, 48155 Munster, Germany
2 Registered Office address: Old Croft, Stanwix, Carlisle, Cumbria CA3 9BA
3 Registered Office address: 810 Waterman Drive, Watertown, New York 13601, USA
4 Registered Office address: 783 Eagle Boulevard, Shelbyville, Tennessee 37160, USA
5 Registered Office address: 5101 Harbor Drive, Sioux City, Iowa 51111, USA
6 Registered Office address: 3-5 College Street, Burnham on Sea, Somerset TA8 1AR

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.

Joint ventures are accounted for using the equity method.

16 Interest in joint ventures continued

At the year end the joint ventures had capital commitments of £291,553 (2018: £54,000). 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:

	2019 £'000	2018 £'000
Non-current assets	9,133	8,195
Current assets	7,616	7,662
Current liabilities	(5,356)	(6,987)
Non-current liabilities	(1,739)	(883)
Income	40,735	38,656
Expenses	(38,880)	(36,514)
Net finance cost	(94)	(119)

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.

17 Investment in subsidiary undertakings

Name	Proportion of shares held Ordinary %	Country of incorporation	Country of operation	Activity
Carrs Agriculture Ltd	100	England[1]	UK	Manufacture of animal feed/mineral blocks and ingredients of animal feed
Carrs Billington Agriculture (Sales) Ltd	51	England[1]	UK	Agricultural retailers
Animal Feed Supplement, Inc.	100	USA[2]	USA	Manufacture of animal feed blocks
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
Animax Ltd	100	England[8]	UK	Manufacture of animal health products
Animax NZ Ltd	100	New Zealand[9]	New Zealand	Distributor of animal health products
Clinimax Ltd	100	England[8]	UK	Manufacture of specialist disinfectants
NW Pump & Valve Ltd	100	England[1]	UK	Holding company
NW Total Engineered Solutions Ltd	100	England[1]	UK	Engineering

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
8 Registered Office address: Shepherds Grove West, Stanton, Bury St Edmunds, Suffolk IP31 2AR
9 Registered Office address: RSM New Zealand (Auckland), Level 2, Building 5, 60 Highbrook Drive, East Tamaki, Auckland 2013, New Zealand

Dormant subsidiaries are listed on page 137 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 and NW Pump and Valve Ltd; Carrs Agriculture Ltd holds 100% of the investment in Carr's Supplements (NZ) Ltd, Conegar S.A., Carr's Supplements (Brasil) Nutrição Animal Ltda, Animax Ltd and Clinimax Ltd; Carr's Engineering (US), Inc. holds 100% of the investment in NuVision Engineering, Inc.; Animax Ltd holds 100% of the investment in Animax NZ Ltd; and NW Pump & Valve Ltd holds 100% of the investment in NW Total Engineered Solutions Ltd.

18 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2019 £'000	Assets 2018 £'000	Liabilities 2019 £'000	Liabilities 2018 £'000	Net 2019 £'000	Net 2018 £'000
Accelerated tax depreciation	-	-	(2,934)	(1,604)	(2,934)	(1,604)
Employee benefits	-	-	(1,321)	(1,725)	(1,321)	(1,725)
Other	410	-	(732)	(652)	(322)	(652)
Tax assets/(liabilities)	410	-	(4,987)	(3,981)	(4,577)	(3,981)

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

Movement in deferred tax during the year

	At 2 September 2018 £'000	Exchange differences £'000	In respect of acquisitions £'000	Recognised in income £'000	Recognised in equity £'000	At 31 August 2019 £'000
Assets:						
Other	-	-	30	380	-	410
	-	-	30	380	-	410
Liabilities:						
Accelerated tax depreciation	(1,604)	(56)	(1,381)	107	-	(2,934)
Employee benefits	(1,725)	-	-	90	314	(1,321)
Other	(652)	1	23	(104)	-	(732)
	(3,981)	(55)	(1,358)	93	314	(4,987)
Net Liabilities	(3,981)	(55)	(1,328)	473	314	(4,577)

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.

Movement in deferred tax during the prior 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)

Company	Assets 2019 £'000	Assets 2018 £'000	Liabilities 2019 £'000	Liabilities 2018 £'000	Net 2019 £'000	Net 2018 £'000
Accelerated tax depreciation	20	16	-	-	20	16
Employee benefits	-	-	(1,321)	(1,725)	(1,321)	(1,725)
Other	265	217	-	-	265	217
Tax assets/(liabilities)	285	233	(1,321)	(1,725)	(1,036)	(1,492)

Movement in deferred tax during the year

	At 2 September 2018 £'000	Recognised in income £'000	Recognised in equity £'000	At 31 August 2019 £'000
Assets:				
Accelerated tax depreciation	16	4	-	20
Other	217	46	2	265
	233	50	2	285
Liabilities:				
Employee benefits	(1,725)	90	314	(1,321)
	(1,725)	90	314	(1,321)
Net liabilities	(1,492)	140	316	(1,036)

18 Deferred tax assets and liabilities continued

Movement in deferred tax during the prior 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)

Tax of £53,000 (2018: £53,000) in respect of tax losses has not been recognised as a deferred tax asset in the Group balance sheet. Tax of £nil (2018: £nil) in respect of tax losses has not been recognised as a deferred tax asset in the Company balance sheet.

19 Inventories

Group	2019 £'000	2018 £'000
Raw materials and consumables	12,813	10,536
Work in progress	3,887	3,414
Finished goods and goods for resale	29,570	28,421
	46,270	42,371

Inventories are stated after a provision for impairment of £912,000 (2018: £588,000). The amount recognised as an expense in the year in respect of the write down of inventories is £416,000 (2018: £75,000). The amount recognised as a credit in the year in respect of reversals of write downs of inventories is £55,000 (2018: £nil).

The cost of inventories recognised as an expense and included in cost of sales is £348,430,000 (2018: £347,585,000).

The Company has no inventories (2018: none).

20 Contract balances

The timing of revenue recognition, billings and cash collection results in trade receivables (billed amounts), contracts assets (unbilled amounts) and customer advances and deposits (contract liabilities) on the Group's balance sheet. For services in which revenue is earned over time, amounts are billed in accordance with contractual terms, either at periodic intervals or upon achievement of contractual milestones. The timing of revenue recognition is measured in accordance with the progress of delivery on a contract which could either be in advance or in arrears of billing, resulting in either a contract asset or a contract liability.

Contract assets	£'000
At transition date 2 September 2018 (note 37)	6,909
Exchange differences	125
Subsidiaries acquired	102
Transfers from contract assets recognised at the beginning of the year to receivables	(5,711)
Increase related to services provided in the year	8,041
At 31 August 2019	9,466

Contract liabilities	£'000
At transition date 2 September 2018 (note 37)	1,458
Exchange differences	11
Subsidiaries acquired	573
Revenue recognised against contract liabilities at the beginning of the year	(1,601)
Increase due to cash received, excluding any amounts recognised as revenue during the year	828
At 31 August 2019	1,269

The Company has no contract assets or contract liabilities.

21 Trade and other receivables

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Current:				
Trade receivables	**51,438**	58,261	**88**	98
Less: provision for impairment of trade receivables	**(1,285)**	(1,747)	**-**	(98)
Trade receivables – net	**50,153**	56,514	**88**	-
Amounts recoverable on contracts	**-**	4,711	**-**	-
Amounts owed by Group undertakings (note 36)	**-**	-	**33,097**	20,185
Amounts owed by other related parties (note 36)	**1,997**	1,963	**1,764**	1,677
Loans receivable	**-**	79	**-**	-
Other taxes and social security receivable	**376**	1,109	**13**	328
Other receivables	**1,661**	1,299	**824**	98
Prepayments and accrued income	**2,162**	1,841	**399**	227
	56,349	67,516	**36,185**	22,515
Non-current:				
Amounts owed by Group undertakings (note 36)	**-**	-	**16,413**	15,405
Other receivables	**22**	21	**-**	-
	22	21	**16,413**	15,405

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.

During the year a credit of £316,000 (2018: charge of £84,000) 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 4.50% or Bank of England base rate + 2.50%. 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	2019 Gross £'000	2019 Impairment £'000	2019 Past due but not impaired £'000	2018 Gross £'000	2018 Impairment £'000	2018 Past due but not impaired £'000
The ageing of trade receivables is as follows:						
Not past due	**33,451**	**(193)**	**N/A**	34,810	(101)	N/A
Past due 1 – 30 days	**5,713**	**(20)**	**5,693**	10,650	(37)	10,613
Past due 31 – 60 days	**4,345**	**(47)**	**4,298**	4,282	(77)	4,205
Past due 61 – 90 days	**1,729**	**(40)**	**1,689**	2,500	(75)	2,425
Past due 91 – 120 days	**1,703**	**(47)**	**1,656**	1,592	(47)	1,545
Past 121 days	**4,497**	**(938)**	**3,559**	4,427	(1,410)	3,017
	51,438	**(1,285)**	**16,895**	58,261	(1,747)	21,805

21 Trade and other receivables continued

Company	2019 Gross £'000	2019 Impairment £'000	2019 Past due but not impaired £'000	2018 Gross £'000	2018 Impairment £'000	2018 Past due but not impaired £'000
The ageing of trade receivables is as follows:						
Past due 91 – 120 days	**-**	**-**	**-**	17	(17)	-
Past 121 days	**88**	**-**	**88**	81	(81)	-
	88	**-**	**88**	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 (2018: none).

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
The carrying value of trade receivables are denominated in the following currencies:				
Sterling	**46,251**	45,853	**88**	-
US Dollar	**1,326**	860	**-**	-
Euro	**2,023**	9,385	**-**	-
New Zealand Dollar	**544**	416	**-**	-
Other	**9**	-	**-**	-
	50,153	56,514	**88**	-

22 Current tax assets

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Corporation tax recoverable	**-**	119	**840**	886
Group taxation relief	**-**	-	**-**	474
	-	119	**840**	1,360

23 Cash and cash equivalents and bank overdrafts

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Cash and cash equivalents per the balance sheet	**28,649**	24,632	**6,778**	4,955
Bank overdrafts (note 25)	**(4,354)**	(3,627)	**-**	-
Cash and cash equivalents per the statement of cash flows	**24,295**	21,005	**6,778**	4,955

24 Trade and other payables

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Current:				
Trade payables	**16,564**	13,793	**600**	-
Payments on account	**-**	5,023	**-**	-
Amounts owed to Group undertakings (note 36)	**-**	-	**2**	9
Amounts owed to other related parties (note 36)	**24,654**	25,084	**-**	-
Other taxes and social security payable	**1,970**	1,431	**741**	691
Contingent, deferred and unpaid cash consideration	**5,271**	2,371	**-**	-
Other payables	**9,338**	9,771	**354**	438
Accruals and deferred income	**4,856**	6,817	**836**	1,323
	62,653	64,290	**2,533**	2,461
Non-current:				
Contingent consideration	**2,835**	1,576	**-**	-
Accruals and deferred income	**164**	208	**-**	-
	2,999	1,784	**-**	-

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

During the year contingent consideration arose on acquisitions (note 30). 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, £5,271,000 (2018: £2,371,000) of these outstanding payables are recognised within current liabilities and £2,835,000 (2018: £1,576,000) are recognised within non-current liabilities.

Contingent consideration includes amounts of earn out relating to acquisitions in escrow pending settlement of warranty claims.

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

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
At the beginning of the year	**214**	269	**-**	-
Exchange differences	**(2)**	(1)	**-**	-
Subsidiaries acquired	**11**	-	**-**	-
Amortisation in the year	**(54)**	(54)	**-**	-
At the end of the year	**169**	214	**-**	-
Included within:				
Current liabilities	**5**	6	**-**	-
Non-current liabilities	**164**	208	**-**	-
	169	214	**-**	-

25 Borrowings

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Current:				
Bank overdrafts	**4,354**	3,627	**-**	-
Bank loans and other borrowings	**18,319**	30,444	**2,340**	13,378
Loans from Group undertakings (note 36)	**-**	-	**5,466**	5,461
Finance leases	**1,183**	923	**-**	-
	23,856	34,994	**7,806**	18,839
Non-current:				
Bank loans	**26,846**	3,564	**26,846**	3,564
Finance leases	**1,740**	1,433	**-**	-
	28,586	4,997	**26,846**	3,564
Borrowings are repayable as follows:				
On demand or within one year	**23,856**	34,994	**7,806**	18,839
In the second year	**3,295**	1,916	**2,340**	1,188
In the third to fifth years inclusive	**25,291**	3,081	**24,506**	2,376
	52,442	39,991	**34,652**	22,403

Group and Company borrowings are shown in the balance sheet net of arrangement fees of £241,000 (2018: £53,000) of which £60,000 (2018: £17,000) is deducted from current liabilities and £181,000 (2018: £36,000) is deducted from non-current liabilities.

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
The net borrowings are:				
Borrowings as above	**52,442**	39,991	**34,652**	22,403
Cash and cash equivalents	**(28,649)**	(24,632)	**(6,778)**	(4,955)
Net borrowings	**23,793**	15,359	**27,874**	17,448

Bank loans and other borrowings includes an amount of £14,570,000 (2018: £15,922,000) which is secured on trade receivables and represents the amount drawn down on an invoice discounting facility with The Royal Bank of Scotland PLC. 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.

Non-current bank loans (2018: current bank loans) includes a drawn down revolving credit facility of £19.8m (2018: £11.8m) which is repayable in November 2023. At the year end the Group had £7.2m of undrawn revolving credit facilities (2018: £12.7m).

26 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.

Currency rate risk – Financial Instruments by currency

Group	2019 Sterling £'000	2019 US Dollar £'000	2019 Euro £'000	2019 NZ Dollar £'000	2019 Other £'000	2019 Total £'000	2018 Sterling £'000	2018 US Dollar £'000	2018 Euro £'000	2018 NZ Dollar £'000	2018 Other £'000	2018 Total £'000
Assets												
Other investments	50	25	1	-	-	76	50	23	1	-	-	74
Non-current receivables	-	22	-	-	-	22	-	21	-	-	-	21
Contract assets	4,455	1,590	3,421	-	-	9,466	-	-	-	-	-	-
Current trade and other receivables	46,975	4,239	2,033	544	20	53,811	50,535	4,154	9,461	416	-	64,566
Current derivatives	-	-	-	-	-	-	-	13	13	-	-	26
Cash and cash equivalents	18,787	7,537	1,711	592	22	28,649	16,761	6,792	704	281	94	24,632
	70,267	13,413	7,166	1,136	42	92,024	67,346	11,003	10,179	697	94	89,319
Liabilities												
Current borrowings	22,307	141	1,408	-	-	23,856	29,326	148	5,520	-	-	34,994
Contract liabilities	699	401	169	-	-	1,269	-	-	-	-	-	-
Current trade and other payables	53,374	5,311	1,864	122	7	60,678	50,623	4,957	7,180	93	-	62,853
Non-current borrowings	23,759	-	4,827	-	-	28,586	4,997	-	-	-	-	4,997
Other non-current liabilities	2,835	-	-	-	-	2,835	-	1,576	-	-	-	1,576
	102,974	5,853	8,268	122	7	117,224	84,946	6,681	12,700	93	-	104,420

Company	2019 Sterling £'000	2019 US Dollar £'000	2019 Euro £'000	2019 Total £'000	2018 Sterling £'000	2018 US Dollar £'000	2018 Euro £'000	2018 Total £'000
Assets								
Non-current receivables	-	16,413	-	16,413	-	15,405	-	15,405
Current trade and other receivables	24,157	1,993	9,623	35,773	12,308	1,239	8,413	21,960
Cash and cash equivalents	6,206	120	452	6,778	3,765	1,185	5	4,955
	30,363	18,526	10,075	58,964	16,073	17,829	8,418	42,320
Liabilities								
Current borrowings	7,806	-	-	7,806	14,056	-	4,783	18,839
Current trade and other payables	1,792	-	-	1,792	1,770	-	-	1,770
Non-current borrowings	22,019	-	4,827	26,846	3,564	-	-	3,564
	31,617	-	4,827	36,444	19,390	-	4,783	24,173

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% (2018: 10%) weakening or strengthening in Sterling against other currencies represents reasonable possible changes.

	2019 10% weakening £'000	2019 10% strengthening £'000	2018 10% weakening £'000	2018 10% strengthening £'000
Impact on profit after taxation	860	(703)	861	(704)
Impact on total equity	5,731	(4,689)	4,940	(4,042)

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.

26 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.

	2019		2018	
Group	Weighted average effective interest rate %	£'000	Weighted average effective interest rate %	£'000
Bank overdrafts	2.57	4,354	2.70	3,627
Bank loans and other borrowings	2.14	45,165	2.13	34,008
Finance lease liabilities	2.82	2,923	2.39	2,356
		52,442		39,991
Fixed rate		2,923		2,356
Floating rate		49,519		37,635
		52,442		39,991

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

Bank overdrafts	US prime rate + 1.0% margin; Bank of England base rate + 1.7% margin
Bank loans and other borrowings	Libor + 1.7%; Libor + 1.8%; Euribor + 1.7%; Bank of England base rate + 1.15% margin; 1.3%

	2019		2018	
Company	Weighted average effective interest rate %	£'000	Weighted average effective interest rate %	£'000
Bank loans	2.30	29,186	2.18	16,942
Loans from Group undertakings	-	5,466	-	5,461
Floating rate		34,652		22,403

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

Bank loans	Libor + 1.7%; Libor + 1.8%; Euribor + 1.7%

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.

	2019		2018	
	1% decrease £'000	1% increase £'000	1% decrease £'000	1% increase £'000
Impact on profit after taxation	396	(396)	415	(415)
Impact on total equity	396	(396)	415	(415)

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.

26 Derivatives and other financial instruments continued

Group	2019 Total £'000	2019 Within one year £'000	2019 One to two years £'000	2019 Two to five years £'000	2018 Total £'000	2018 Within one year £'000	2018 One to two years £'000	2018 Two to five years £'000
Bank overdrafts	**4,354**	**4,354**	**-**	**-**	3,627	3,627	-	-
Bank loans and other borrowings	**47,717**	**19,023**	**2,984**	**25,710**	34,534	30,790	1,279	2,465
Finance lease liabilities	**3,111**	**1,263**	**1,016**	**832**	2,537	992	786	759
Contract liabilities	**1,269**	**1,269**	**-**	**-**	-	-	-	-
Trade and other payables	**60,678**	**60,678**	**-**	**-**	62,853	62,853	-	-
Other non-current liabilities	**3,010**	**-**	**1,700**	**1,310**	1,657	-	1,657	-
	120,139	**86,587**	**5,700**	**27,852**	105,208	98,262	3,722	3,224

Company	2019 Total £'000	2019 Within one year £'000	2019 One to two years £'000	2019 Two to five years £'000	2018 Total £'000	2018 Within one year £'000	2018 One to two years £'000	2018 Two to five years £'000
Bank loans	**31,739**	**3,045**	**2,984**	**25,710**	17,467	13,723	1,279	2,465
Loans from Group undertakings	**5,466**	**5,466**	**-**	**-**	5,461	5,461	-	-
Trade and other payables	**1,792**	**1,792**	**-**	**-**	1,770	1,770	-	-
	38,997	**10,303**	**2,984**	**25,710**	24,698	20,954	1,279	2,465

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.

Future minimum lease payments of finance leases

Group	2019 £'000	2018 £'000	Repayment profile 2019 £'000	Repayment profile 2018 £'000
Amount payable:				
Within one year	**1,263**	992	**1,183**	923
In the second year	**1,016**	786	**955**	728
In the third to fifth years inclusive	**832**	759	**785**	705
	3,111	2,537	**2,923**	2,356
Less: future finance charges	**(188)**	(181)		
Present value of lease obligations	**2,923**	2,356		

The Company has no finance lease obligations (2018: none).

Borrowing facilities

The Group has various undrawn facilities. The undrawn facilities available at 31 August 2019, in respect of which all conditions precedent had been met, were as follows:

	2019 Floating rate £'000	2018 Floating rate £'000
Expiring in one year or less	**3,565**	14,868
Expiring within two and five years inclusive	**18,626**	12,374
	22,191	27,242

Undrawn facilities include overdraft facilities of £2.5m (2018: £2.5m) that are renewable on an annual basis.

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.

26 Derivatives and other financial instruments continued

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 31 August 2019 the Group had net debt of £23.8m (2018: £15.4m). Gearing was 18.2% at the year end (2018: 12.7%).

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. The Group's bankers provide the valuations for the derivative financial instruments at each reporting period end based on mark to market valuation techniques.

Contingent consideration is measured at fair value using Level 3 inputs such as entity projections of future profitability.

Transfers between levels are deemed to have occurred at the end of the reporting period. There were no transfers between levels in the above hierarchy in the period.

Fair values of financial assets and liabilities

The fair value of Group and Company financial assets and liabilities are not materially different to book value.

Derivative financial instruments

Hedge of net investment in foreign subsidiaries

The Group hedges foreign denominated loans against its investment in foreign subsidiaries. A foreign exchange pre-tax gain of £81,000 (2018: pre-tax loss of £4,000) was recognised in equity during the year on translation of US dollar denominated loans with a fair value of $1,608,000 (2018: $1,608,000) to sterling. A foreign exchange pre-tax loss of £44,000 (2018: pre-tax gain of £115,000) was recognised in equity during the year on translation of Euro denominated loans with a fair value of €5,330,000 (2018: €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:

	2019		2018	
Group	**Fair value £'000**	**Contractual or notional amount £'000**	Fair value £'000	Contractual or notional amount £'000
At beginning of the year	**13**	**1,206**	(3)	2,821
(Losses)/gains during the year	**(13)**	**(1,206)**	16	(1,615)
At end of the year – included within current assets	**-**	**-**	13	1,206

The Company has no forward foreign currency contracts (2018: none).

26 Derivatives and other financial instruments continued

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	2019 Fair value £'000	2019 Contractual or notional amount £'000	2018 Fair value £'000	2018 Contractual or notional amount £'000
At beginning of the year	**13**	**124**	(2)	146
(Losses)/gains during the year	**(13)**	**(124)**	15	(22)
At end of the year – included within current assets	**-**	**-**	13	124

The Company has no currency swaps (2018: 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.

27 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 (Group and Company)

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 (2018: £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 31 August 2019 by a qualified independent actuary.

Major assumptions:

	2019 %	2018 %
Inflation (RPI)	**3.00**	3.00
Inflation (CPI)	**2.10**	2.10
Rate of discount	**1.80**	2.80
Pension in payment increases:		
RPI or 5.0% per annum if less	**3.00**	3.00
RPI or 5.0% per annum if less, minimum 3.0% per annum	**3.50**	3.50

The mortality tables used in the valuation as at 31 August 2019 are 100% of S2PA with allowance for mortality improvements using CMI_2018 with a 1.25%pa underpin. The mortality assumptions adopted imply the following life expectancies at age 65 as at 31 August 2019:

	At 31 August 2019	At 1 September 2018
Males currently age 45	**23.2 years**	23.4 years
Females currently age 45	**25.2 years**	25.4 years
Males currently age 65	**21.8 years**	22.0 years
Females currently age 65	**23.7 years**	23.9 years

27 Retirement benefits continued

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

	2019 £'000	2018 £'000
Administrative expenses	21	24
Past service cost	795	-
Net interest on the net defined benefit asset	(284)	(125)
Total expense/(income)	532	(101)

In October 2018 the High Court ruled on the case of *Lloyds Banking Group Pensions Trustees Ltd v Lloyds Bank plc and others*. The ruling required all UK defined benefit pension schemes to equalise Guaranteed Minimum Pensions (GMPs) between males and females. The scheme's actuary has estimated the effect on the Carr's Group Pension Scheme to be a £795,000 increase in liabilities and this has been recognised as a past service cost through the Income Statement and disclosed as a non-recurring item (note 5).

It is expected that there will be further court hearings from which clarity over the practical application of the ruling will arise. There is also the possibility of the case being taken to appeal.

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

	2019 £'000	2018 £'000
Within operating profit:		
Administrative expenses	816	24
Within interest:		
Finance income	(284)	(125)
Total expense/(income)	532	(101)

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

	2019 £'000	2018 £'000
Actual gains and losses arising from changes in:		
Financial assumptions	(9,373)	4,716
Demographic assumptions	589	486
Experience adjustments	-	1,353
Return on assets, excluding interest income	6,939	(1,719)
Total remeasurement of the net defined benefit asset	(1,845)	4,836

Amounts included in the Balance Sheet:

	2019 £'000	2018 £'000
Present value of funded defined benefit obligations	(68,037)	(60,488)
Fair value of scheme assets	75,806	70,634
Surplus in funded scheme	7,769	10,146

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

	2019 £'000	2018 £'000
Benefit obligation at the beginning of the year	60,488	69,921
Past service cost	795	-
Interest cost	1,642	1,624
Net measurement losses/(gains) – financial	9,373	(4,716)
Net measurement gains – demographic	(589)	(486)
Net measurement gains – experience	-	(1,353)
Benefits paid	(3,672)	(4,502)
Benefit obligation at the end of the year	68,037	60,488

27 Retirement benefits continued

Benefit obligation by participant status:

	2019 £'000	2018 £'000
Vested deferreds	22,930	19,181
Retirees	45,107	41,307
	68,037	60,488

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

	2019 £'000	2018 £'000
Fair value of scheme assets at the beginning of the year	70,634	75,130
Interest income on scheme assets	1,926	1,749
Return on assets, excluding interest income	6,939	(1,719)
Benefits paid	(3,672)	(4,502)
Scheme administrative cost	(21)	(24)
Fair value of scheme assets at the end of the year	75,806	70,634

Analysis of the scheme assets and actual return:

	Fair value of assets	
	2019 £'000	2018[1] £'000
Equity instruments	11,753	13,204
Property	2,388	2,907
Bonds	57,153	48,618
Cash	70	44
Other	4,442	5,861
	75,806	70,634
Actual return on scheme assets	8,865	30

1 Restated following re-interpretation of the classifications.

Equity instruments, bonds and 'other' assets are held in unquoted Mercer fund portfolios and are not held directly by the Pension Scheme. These Mercer portfolios in turn invest in a mix of quoted and unquoted underlying assets. Property assets are held by Legal & General Investment Management. 'Other' assets relate to assets held in the Mercer's Alternative Strategies funds within the Scheme's growth portfolio.

In accordance with IAS 19 Scheme assets must be valued at the fair value at the balance sheet date. The following applies to the assets in the Scheme:

Asset	Valuation
Equity instruments	Fair value being the net asset value provided by the investment manager
Property	Closing bid price for unit holdings in managed property fund
Bonds	Fair value being the net asset value provided by the investment manager
Other	Fair value being the net asset value provided by the investment manager

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	-25 basis points	70,743
	+25 basis points	65,482
Price inflation rate	-25 basis points	66,564
	+25 basis points	69,575
Post – retirement mortality assumption	-1 year age rating	70,874
	+1 year age rating	65,259

27 Retirement benefits continued

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. It is not an indication of actual results which may materially differ, for example, changes in some assumptions may actually be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

The methodology and principal assumptions used in preparing the sensitivity analysis did not change compared to the prior year.

The weighted average duration of the defined benefit obligation is approximately 16-17 years (2018: 15-16 years).

Expected cash flows for the following year:

	£'000
Expected employer contributions	**-**
Expected contributions to reimbursement rights	**-**
Expected total benefit payments by the scheme:	
Year 1	**3,777**
Year 2	**3,885**
Year 3	**3,996**
Year 4	**4,110**
Year 5	**4,228**
Next 5 years	**23,022**

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. As at 31 December 2017, being the date of the most recent finalised actuarial valuation, the scheme funding valuation of the Scheme revealed a surplus of £7.7m equating to a funding level of 112%. On a solvency basis the scheme had a deficit of £18.8m equating to a funding level of 80%. The purpose of the scheme funding valuation is to monitor the progress towards achieving the Trustees' funding objectives and to determine the past service contributions and future service contributions that may be required. The solvency valuation provides an indication of the financial impact on members were the scheme to wind up with no money recoverable from the employer. The Trustees agreed that deficit contributions were not required and therefore contributions to the Scheme by the Group and Company in the year ending August 2020 are expected to be £nil. The next full triennial actuarial valuation will be as at 31 December 2020 at which point the funding requirements will be revisited.

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.

Risk exposure and 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 objective is to achieve a 110% funding level on a gilts +0.25% p.a. basis by 2026. The Trustees have a fiduciary management arrangement with Mercer who have certain delegated responsibilities over investment decisions within parameters set by the Trustees. These parameters are reviewed on a regular basis to ensure they are still appropriate. Assets are invested in Mercer portfolios and in respect of property, Legal & General Investment Management. The Scheme aims to reduce risks such as market (investment) risk, interest rate risk, inflation risk, currency risk and longevity risk through liability hedging, diversification and de-risking triggers. Where de-risking triggers are met assets are transferred from growth asset portfolios to matching asset portfolios. The objective of the matching asset portfolio is to manage the impact on the funding level of interest rate risk and inflation risk such that the majority of the Scheme's risk is allocated to the growth portfolio.

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 £1,647,000 (2018: £1,485,000).

27 Retirement benefits continued

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 £1.9m (2018: £2.0m). 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 finalised 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 (2018: £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 finalised 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 triennial valuation of the scheme as at 31 December 2018 has not yet been finalised.

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 surplus calculated on an IAS 19 accounting basis within its 'Investment in Associate' in its consolidated balance sheet.

Included in the Group's 'Share of post-tax results of associates' is £306,000 in respect of the effect of the GMP equalisation on the Carrs Billington Agriculture Pension Scheme's liabilities. This has also been disclosed as a non-recurring item (note 5).

Other pension schemes

The pension expense in respect of defined contribution pension arrangements in foreign subsidiaries during the year was £526,000 (2018: £466,000).

Pension contributions into NEST during the year amounted to £84,000 (2018: £62,000).

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 £64,000 (2018: £17,000).

28 Share capital

	2019		2018	
Group and Company	**Shares**	**£'000**	Shares	£'000
Allotted and fully paid ordinary shares of 2.5p each:				
At start of the year	**91,403,112**	**2,285**	91,395,541	2,285
Allotment of shares	**538,893**	**14**	7,571	-
At end of the year	**91,942,005**	**2,299**	91,403,112	2,285

The table above includes 3 (2018: 2) shares held in treasury.

The consideration received on the allotment of shares during the year was £37,787 (2018: £11,292).

For details of share based payment schemes see note 29.

Since the year end, to enable vesting of the Group's long term incentive plan, 513,604 shares with a nominal value of £12,840 were allotted and held initially in treasury. At the date of signing these financial statements 49,993 shares are still held in treasury.

29 Share-based payments

Group

The Group operates three active share based payment schemes at 31 August 2019.

The Executive Directors participate in a deferred bonus share plan under which 25% of any bonus earned will be deferred into awards over shares in the Company, with awards subject to a two year post-vesting holding period.

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 2016, December 2017 and December 2018 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 3 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 for Long Term Incentive Plans and Share Shemes are as follows:

	Long Term Incentive Plan December 2018	Long Term Incentive Plan December 2017	Long Term Incentive Plan November 2016	Share Save Scheme (3-Year Plan 2019)	Share Save Scheme (3-Year Plan 2018)
Grant date	19/12/18	22/12/17	14/11/16	17/12/18	18/12/17
Share price at grant date (weighted average)	£1.485	£1.240	£1.440	£1.44	£1.20
Exercise price (weighted average)	£0.00	£0.00	£0.00	£1.275	£1.061
Fair value per option at grant	£1.348	£1.119	£1.324	£0.36	£0.280
Number of employees at grant	8	7	7	153	290
Shares under option at grant	579,788	611,596	541,574	420,851	1,465,455
Vesting period (years)	3	3	3	3	3
Model used for valuation	Market value*	Market value*	Market value*	Black Scholes	Binomial
Expected volatility	–	–	–	34.8%	32.7%
Option life (years)	10	10	10	3.65	3.5
Expected life (years)	6.5	6.5	6.5	3.4	3.25
Risk-free rate	–	–	–	0.81%	0.6%
Expected dividends expressed as a dividend yield	2.05%	1.68%	1.78%	2.56%	2.7%
Expectations of vesting	75%	100%	100%	95%	95%

* Discounted for dividends forgone over the three year vesting period.

The fair value of the deferred bonus plan offered to the Executive Directors is calculated with reference to the market value of the shares under award discounted to reflect illiquidity during the post vesting two year holding 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.

29 Share-based payments continued

Number of options (LTIP and Share Save)

	Long Term Incentive Plan December 2018 Number '000	Long Term Incentive Plan December 2017 Number '000	Long Term Incentive Plan November 2016 Number '000	Long Term Incentive Plan November 2015 Number '000	Share Save Scheme (3-Year Plan 2019) Number '000	Share Save Scheme (3-Year Plan 2018) Number '000	Share Save Scheme (5-Year Plan 2014) Number '000
Outstanding:							
At 2 September 2017	-	-	542	512	-	-	199
Granted in the year	-	612	-	-	-	1,465	-
Forfeited in the year	-	-	-	-	-	(128)	(124)
At 1 September 2018	**-**	**612**	**542**	**512**	**-**	**1,337**	**75**
Granted in the year	**580**	**-**	**-**	**-**	**421**	**-**	**-**
Exercised in the year	**-**	**-**	**-**	**(512)**	**-**	**(8)**	**(11)**
Forfeited in the year	**-**	**-**	**-**	**-**	**(43)**	**(140)**	**(53)**
At 31 August 2019	**580**	**612**	**542**	**-**	**378**	**1,189**	**11**
Exercisable:							
At 1 September 2018	-	-	-	-	-	-	-
At 31 August 2019	**-**	**-**	**-**	**-**	**-**	**-**	**11**
Weighted average: Remaining contractual life (years)	**9.00**	**8.00**	**7.00**	**-**	**3.07**	**1.83**	**0.25**
Remaining expected life (years)	**5.50**	**4.50**	**3.50**	**-**	**2.82**	**1.58**	**-**

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

	2019 £'000	2018 £'000
Deferred Bonus Share Plan 2019	**75**	-
Long Term Incentive Plan December 2018	**175**	-
Long Term Incentive Plan December 2017	**228**	228
Long Term Incentive Plan November 2016	**227**	350
Long Term Incentive Plan November 2015	**22**	435
Share Save Scheme (3-Year Plan 2019)	**32**	-
Share Save Scheme (3-Year Plan 2018)	**113**	86
Share Save Scheme (5-Year Plan 2014)	**8**	26
	880	1,125

29 Share-based payments continued

Company

The movement in the number of outstanding options under the share schemes for the Company is shown below.

Number of options (LTIP and Share Save)

	Long Term Incentive Plan December 2018 Number '000	Long Term Incentive Plan December 2017 Number '000	Long Term Incentive Plan November 2016 Number '000	Long Term Incentive Plan November 2015 Number '000	Share Save Scheme (3-Year Plan 2019) Number '000	Share Save Scheme (3-Year Plan 2018) Number '000	Share Save Scheme (5-Year Plan 2014) Number '000
Outstanding:							
At 2 September 2017	-	-	381	368	-	-	1
Granted in the year	-	486	-	-	-	206	-
Forfeited in the year	-	-	-	-	-	(3)	-
At 1 September 2018	**-**	**486**	**381**	**368**	**-**	**203**	**1**
Granted in the year	**470**	**-**	**-**	**-**	**58**	**-**	**-**
Exercised in the year	**-**	**-**	**-**	**(368)**	**-**	**-**	**-**
Forfeited in the year	**-**	**-**	**-**	**-**	**-**	**(5)**	**(1)**
At 31 August 2019	**470**	**486**	**381**	**-**	**58**	**198**	**-**
Exercisable:							
At 1 September 2018	-	-	-	-	-	-	-
At 31 August 2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Weighted average: Remaining contractual life (years)	**9.00**	**8.00**	**7.00**	**-**	**3.07**	**1.83**	**0.25**
Remaining expected life (years)	**5.50**	**4.50**	**3.50**	**-**	**2.82**	**1.58**	**-**

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

	2019 £'000	2018 £'000
Deferred Bonus Share Plan 2019	**75**	-
Long Term Incentive Plan December 2018	**133**	-
Long Term Incentive Plan December 2017	**181**	179
Long Term Incentive Plan November 2016	**168**	255
Long Term Incentive Plan November 2015	**22**	299
Share Save Scheme (3-Year Plan 2019)	**4**	-
Share Save Scheme (3-Year Plan 2018)	**17**	12
Share Save Scheme (5-Year Plan 2014)	**2**	1
	602	746

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

	2019 £'000	2018 £'000
Long Term Incentive Plan December 2018	**43**	-
Long Term Incentive Plan December 2017	**94**	48
Long Term Incentive Plan November 2016	**178**	118
Long Term Incentive Plan November 2015	**-**	183
Share Save Scheme (3-Year Plan 2019)	**21**	-
Share Save Scheme (3-Year Plan 2018)	**146**	74
Share Save Scheme (5-Year Plan 2014)	**2**	84
Total carrying amount of investments	**484**	507

30 Acquisitions

Animax Ltd

On 21 September 2018 Carrs Agriculture Ltd acquired the entire issued share capital of Animax Ltd ("Animax") a producer of market-leading animal health products, for a total cash consideration of up to £8.5m. As part of the acquisition, Carrs Agriculture Ltd also acquired the entire issued share capital of Animax'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 aligns with the Group's stated strategy of investing in growing agriculture markets in the UK and internationally.

NW Total Engineered Solutions Ltd

On 28 June 2019 Carr's Engineering Ltd acquired the entire issued share capital of NW Pump & Valve Ltd, the holding company of NW Engineered Solutions Ltd ("NW Total"), a service and manufacturing company providing value added solutions to the nuclear defence, nuclear decommissioning, nuclear power generation and other highly regulated markets, for a total cash consideration of up to £9.6m.

NW Total has been acquired for an initial cash consideration of £6.0m, with further contingent cash consideration of up to a maximum of £3.6m payable over the next three years, based on the achievement of agreed financial targets.

The acquisition of NW Total adds a specialist engineering solutions provider to the Group's Engineering division and will bring a range of benefits and synergies. NW Total will also benefit significantly from being part of a larger group with access to increased manufacturing capacity alongside greater financial and technical resources.

Other

On 8 July 2019 Carrs Billington Agriculture (Sales) Ltd acquired the entire issued share capital of Paul Chuter Agricultural Services Ltd ("Paul Chuter") for a cash consideration of £0.4m.

The acquisition expands the existing Agriculture business.

All of the above purchases have been accounted for as acquisitions.

Aggregate disclosures

The total goodwill arising from acquisitions in the year amounts to £7,999,000. Goodwill represents the excess of the consideration paid over the Group's interests in the net fair value of the net identifiable assets, liabilities and contingent liabilities acquired.

The following amounts have been recognised within the consolidated income statement in respect of acquisitions made in the year:

	Animax £'000	NW Total £'000	Other £'000	Total £'000
Revenue	**6,148**	**1,880**	**117**	**8,145**
Profit before taxation	**429**	**352**	**(34)**	**747**

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

Total acquisition related costs amounted to £630,000, 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 5). £509,000 has been charged to the income statement in the current year and £121,000 has been recognised in prior years as incurred.

30 Acquisitions continued

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

	Fair value Animax £'000	Fair value NW Total £'000	Fair value Other £'000	Total fair value £'000
Intangible assets	3,017	3,520	67	6,604
Property, plant and equipment	1,868	279	69	2,216
Inventories	948	267	258	1,473
Receivables	1,355	1,210	132	2,697
Cash at bank	1,430	4,246	147	5,823
Payables	(1,268)	(2,571)	(189)	(4,028)
Bank loans	(340)	(120)	-	(460)
Taxation				
– Current	34	(333)	(54)	(353)
– Deferred	(680)	(633)	(15)	(1,328)
Net assets acquired	6,364	5,865	415	12,644
Goodwill	1,742	6,234	23	7,999
	8,106	12,099	438	20,643
Satisfied by:				
Cash consideration	6,000	8,868	438	15,306
Contingent consideration	2,106	3,231	-	5,337
	8,106	12,099	438	20,643

Initial cash consideration comprises:

	Fair value Animax £'000	Fair value NW Total £'000	Fair value Other £'000	Total fair value £'000
Enterprise value	6,000	6,000	438	12,438
Adjustments for:				
Profit and normalised working capital	-	555	-	555
Cash and debt like items	-	2,313	-	2,313
Total initial cash consideration	6,000	8,868	438	15,306

The contingent consideration and £124,000 of cash consideration remains unpaid at the year end. Intangible assets represents the fair value of IP, brand names and customer relationships.

Pro forma full year information

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

The unaudited pro forma summary below presents the Group as if the acquisitions had been acquired on 2 September 2018.

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	414,536
Profit before taxation	17,406

31 Cash generated from/(used in) continuing operations

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Profit for the year from continuing operations	**13,624**	13,647	**6,768**	2,541
Adjustments for:				
Tax	**2,685**	1,855	**(89)**	(642)
Tax credit in respect of R&D	**(526)**	(451)	**-**	-
Dividends received from subsidiaries	**-**	-	**(6,805)**	(4,625)
Dividends received from associate and joint ventures	**-**	-	**(588)**	(588)
Depreciation of property, plant and equipment	**4,804**	4,372	**43**	15
Depreciation of investment property	**6**	6	**-**	-
Goodwill impairment	**-**	516	**-**	-
Intangible asset amortisation	**943**	397	**41**	-
(Profit)/loss on disposal of property, plant and equipment	**(30)**	19	**-**	59
Business combination expenses	**509**	251	**-**	-
Adjustments to contingent consideration	**(1,126)**	-	**-**	-
Net fair value expense on share based payments	**880**	1,125	**602**	746
Other non-cash adjustments	**(139)**	107	**(1,384)**	276
Finance costs:				
Interest income	**(463)**	(358)	**(2,055)**	(1,836)
Interest expense and borrowing costs	**1,399**	1,357	**666**	610
Share of results of associates and joint ventures	**(2,377)**	(3,215)	**-**	-
IAS19 income statement charge (excluding interest):				
Administrative expenses (note 27)	**21**	24	**21**	24
Past service cost (note 27)	**795**	-	**795**	-
Changes in working capital (excluding the effects of acquisitions):				
Increase in inventories	**(670)**	(5,106)	**-**	-
(Increase)/decrease in receivables	**(1,008)**	(7,015)	**(804)**	300
(Decrease)/increase in payables	**(3,323)**	7,449	**202**	996
Cash generated from/(used in) continuing operations	**16,004**	14,980	**(2,587)**	(2,124)

32 Analysis of net debt

Group	At 2 September 2018 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	**At 31 August 2019 £'000**
Cash and cash equivalents	24,632	**3,491**	**-**	**526**	**28,649**
Bank overdrafts	(3,627)	**(727)**	**-**	**-**	**(4,354)**
	21,005	**2,764**	**-**	**526**	**24,295**
Loans and other borrowings:					
– Current	(30,444)	**858**	**11,285**	**(18)**	**(18,319)**
– Non-current	(3,564)	**(11,443)**	**(11,795)**	**(44)**	**(26,846)**
Finance leases:					
– Current	(923)	**1,278**	**(1,538)**	**-**	**(1,183)**
– Non-current	(1,433)	**-**	**(307)**	**-**	**(1,740)**
Net debt	(15,359)	**(6,543)**	**(2,355)**	**464**	**(23,793)**

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.

32 Analysis of net debt continued

Company	At 2 September 2018 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	At 31 August 2019 £'000
Cash and cash equivalents	4,955	1,760	-	63	6,778
Loans and other borrowings:					
– current	(18,839)	(712)	11,745	-	(7,806)
– non-current	(3,564)	(11,443)	(11,795)	(44)	(26,846)
Net debt	(17,448)	(10,395)	(50)	19	(27,874)

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

33 Capital commitments

Group	2019 £'000	2018 £'000
Capital expenditure on property, plant and equipment that has been contracted for but has not been provided for in the accounts	173	621

The Company has no capital commitments (2018: none).

34 Other financial commitments

Group

At 31 August 2019 the Group had commitments under non-cancellable operating leases as follows:

	Group				Company	
	2019		2018		2019	2018
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000	Other £'000	Other £'000
Within one year	1,379	634	1,190	595	87	73
Within two and five years inclusive	3,514	805	3,448	666	177	198
After five years	6,556	29	5,443	-	-	-
	11,449	1,468	10,081	1,261	264	271

35 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 31 August 2019 amounted to £2,582,000 (2018: £nil).

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 31 August 2019 was £4,386,000 (2018: £4,359,000).

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 £14,070,000 (2018: £12,181,000) and as at 31 August 2019 £1,572,000 (2018: £5,064,000) 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 31 August 2019 the cumulative rent payable over the remaining term of the lease is £1,040,000 (2018: £1,227,000).

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 (2018: £1,500,000).

35 Financial guarantees and contingent liabilities continued

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 (2018: £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.

36 Related parties

Group and Company

Identity of related parties

The Group has a related party relationship with its subsidiaries, associate 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	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Balances reported in the Balance Sheet				
Amounts owed by businesses controlled by key management personnel (in a trading capacity):				
Trade receivables	**18**	144	**-**	-
Transactions reported in the Income Statement				
Revenue	**72**	166	**-**	-

Transactions with subsidiaries

	Company	
	2019 £'000	2018 £'000
Balances reported in the Balance Sheet		
Amounts owed by subsidiary undertakings:		
Loans	**49,231**	35,510
Other receivables	**279**	80
	49,510	35,590
Amounts owed to subsidiary undertakings:		
Loans	**(5,466)**	(5,461)
Other payables	**(2)**	(9)
	(5,468)	(5,470)
Transactions reported in the Income Statement		
Management charges receivable	**2,967**	2,360
Dividends received	**6,805**	4,625
Interest receivable	**1,725**	1,643
Purchases	**(1)**	(2)

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

36 Related parties continued

Transactions with associate

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Balances reported in the Balance Sheet				
Amounts owed by associate:				
Trade and other receivables	**185**	85	**45**	18
Amounts owed to associate:				
Trade and other payables	**(24,628)**	(25,072)	**-**	-
Transactions reported in the Income Statement				
Revenue	**695**	758	**-**	-
Rental income	**20**	20	**-**	-
Management charges receivable	**166**	110	**113**	110
Dividends received	**-**	-	**588**	588
Interest receivable	**-**	71	**-**	-
Management charges payable	**(153)**	(97)	**-**	-
Purchases	**(116,074)**	(114,350)	**-**	-

Transactions with joint ventures

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Balances reported in the Balance Sheet				
Amounts owed by joint ventures:				
Trade and other receivables	**1,794**	1,734	**1,719**	1,659
Amounts owed to joint ventures:				
Trade and other payables	**(3)**	(12)	**-**	-

Included within Group and Company trade and other receivables is £1,717,000 (2018: £1,659,000) in respect of loans owed by joint ventures.

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Transactions reported in the Income Statement				
Revenue	**836**	696	**-**	-
Management charges receivable	**165**	152	**-**	-
Purchases	**(310)**	(1,138)	**-**	-

Other related parties

NW Total Engineered Solutions Ltd occupies its premises under a 15 year lease with Ironworks Properties LLP. The owners of Ironworks Properties LLP are employed by NW Total Engineered Solutions Ltd. At the year end £23,000 was owed to Ironworks Properties LLP.

37 Adoption of IFRS 15 'Revenue from contracts with customers'

The Group adopted IFRS 15 with effect from 2 September 2018 and has applied IFRS 15 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Comparative information has not been restated and is therefore still reported under IAS 11 and IAS 18. The adoption of IFRS 15 has had no impact on the Company.

Adjustments to the opening balance sheet arising from adoption of IFRS 15 are as follows:

	1 September 2018 £'000	Adjustments £'000	2 September 2018 £'000
Current assets			
Inventories	42,371	1,442	**43,813**
Contract assets	-	6,909	**6,909**
Trade and other receivables	67,516	(12,128)	**55,388**
Current liabilities			
Contract liabilities	-	(1,458)	**(1,458)**
Trade and other payables	(64,290)	5,111	**(59,179)**
Equity			
Retained earnings	87,967	(124)	**87,843**
Headline figures			
Non-current assets	96,523	-	**96,523**
Current assets	134,664	(3,777)	**130,887**
Total assets	231,187	(3,777)	**227,410**
Current liabilities	(99,459)	3,653	**(95,806)**
Non-current liabilities	(10,762)	-	**(10,762)**
Total liabilities	(110,221)	3,653	**(106,568)**
Net assets	120,966	(124)	**120,842**
Total shareholders' equity	105,281	(124)	**105,157**
Total equity	120,966	(124)	**120,842**

The adjustments to the opening position reflect the transition impact of £124,000 reduction in retained earnings together with the reclassification of amounts to the new asset and liability categories of 'contract assets' and 'contract liabilities'.

To enable users of these accounts to compare the periods presented in the financial statements the following table shows the balance sheet of the Group as at 31 August 2019 as though IAS 11 and IAS 18 still applied.

	31 August 2019 (as reported) £'000	**Adjustments £'000**	**31 August 2019 (IAS 11 & IAS 18) £'000**
Current assets			
Inventories	**46,270**	**-**	**46,270**
Contract assets	**9,466**	**(9,466)**	**-**
Trade and other receivables	**56,349**	**9,466**	**65,815**
Current liabilities			
Contract liabilities	**(1,269)**	**1,269**	**-**
Trade and other payables	**(62,653)**	**(1,269)**	**(63,922)**
Equity			
Retained earnings	**94,864**	**-**	**94,864**
Headline figures			
Non-current assets	**115,616**	**-**	**115,616**
Current assets	**140,734**	**-**	**140,734**
Total assets	**256,350**	**-**	**256,350**
Current liabilities	**(88,788)**	**-**	**(88,788)**
Non-current liabilities	**(36,572)**	**-**	**(36,572)**
Total liabilities	**(125,360)**	**-**	**(125,360)**
Net assets	**130,990**	**-**	**130,990**
Total shareholders' equity	**114,250**	**-**	**114,250**
Total equity	**130,990**	**-**	**130,990**

The adjustments reflect the reclassification of amounts to the new asset and liability categories of 'contract assets' and 'contract liabilities'.

FIVE YEAR STATEMENT

Continuing operations Revenue and Results	(Restated)[1,3] 2015 £'000	(Restated)[3] 2016 £'000	(Restated)[3] 2017 £'000	2018 £'000	**2019 £'000**
Revenue	331,285	314,907	346,224	403,192	**403,905**
Operating profit	14,397	14,851	10,690	16,405	**17,195**
Analysed as:					
Operating profit before amortisation and non-recurring items	14,648	15,063	12,091	17,464	**18,930**
Amortisation and non-recurring items	(251)	(212)	(1,401)	(1,059)	**(1,735)**
Operating profit	14,397	14,851	10,690	16,405	**17,195**
Finance income	338	236	176	358	**463**
Finance costs	(1,045)	(1,009)	(864)	(1,261)	**(1,349)**
Profit before taxation	13,690	14,078	10,002	15,502	**16,309**
Analysed as:					
Profit before taxation before amortisation and non-recurring items	13,941	14,290	11,403	16,561	**18,044**
Amortisation and non-recurring items	(251)	(212)	(1,401)	(1,059)	**(1,735)**
Profit before taxation	13,690	14,078	10,002	15,502	**16,309**
Taxation	(3,010)	(2,907)	(1,707)	(1,855)	**(2,685)**
Profit for the year from continuing operations	10,680	11,171	8,295	13,647	**13,624**
Profit for the year from discontinued operations	3,013	2,817	-	-	**-**
Profit for the year	13,693	13,988	8,295	13,647	**13,624**
Ratios (continuing operations)					
Operating margin (excluding non-recurring items and amortisation)[9]	4.4%	4.8%	3.5%	4.3%	**4.7%**
Return on net assets (excluding non-recurring items and amortisation)	14.1%	13.0%	10.8%	13.7%	**13.8%**
Earnings per share – basic[2]	10.0p	10.7p	7.7p	13.0p	**13.1p**
– adjusted[2]	10.2p	10.9p	8.9p	13.9p	**14.6p**
Dividends per ordinary share[2]	3.7p	3.8p	4.0p	4.5p	**4.75p**

Revenue and results included in the table above have been restated to reflect the disposal of Carr's Flour Mills Ltd in the year ended 3 September 2016. The profit after taxation from this business has been included within profit for the year from discontinued operations in the table above.

1 Restated for the reclassification to interest income of the net interest on the net defined benefit retirement asset previously recognised within operating profit.
2 Restated for the effect of the 10:1 share split in January 2015.
3 Restated for the reclassification to operating profit of the share of post-tax results of the associates and joint ventures.

Net assets employed	(Restated)[1] 2015 £'000	2016 £'000	(Restated)[2] 2017 £'000	2018 £'000	**2019 £'000**
Non-current assets					
Goodwill	10,849	11,440	24,293	24,272	**32,877**
Other intangible assets	448	286	2,266	2,223	**9,318**
Property, plant and equipment	58,385	35,811	37,149	38,484	**41,917**
Investment property	636	182	176	170	**164**
Investments	13,530	14,996	18,106	21,207	**23,139**
Financial assets					
– Non-current receivables	50	50	444	21	**22**
Retirement benefit asset	1,767	311	5,209	10,146	**7,769**
Deferred tax assets	861	–	–	–	**410**
	86,526	63,076	87,643	96,523	**115,616**
Current assets					
Inventories	35,031	33,423	37,023	42,371	**46,270**
Contract assets	–	–	–	–	**9,466**
Trade and other receivables	64,454	56,940	59,723	67,516	**56,349**
Current tax assets	839	303	297	119	**–**
Financial assets					
– Derivative financial instruments	50	–	13	26	**–**
– Cash and cash equivalents	20,052	48,411	23,887	24,632	**28,649**
	120,426	139,077	120,943	134,664	**140,734**
Total assets	206,952	202,153	208,586	231,187	**256,350**
Current liabilities					
Financial liabilities					
– Borrowings	(18,721)	(21,642)	(17,060)	(34,994)	**(23,856)**
– Derivative financial instruments	(72)	(20)	(18)	–	**–**
Contract liabilities	–	–	–	–	**(1,269)**
Trade and other payables	(54,496)	(46,823)	(56,181)	(64,290)	**(62,653)**
Current tax liabilities	(472)	(470)	(673)	(175)	**(1,010)**
	(73,761)	(68,955)	(73,932)	(99,459)	**(88,788)**
Non-current liabilities					
Financial liabilities					
– Borrowings	(25,744)	(18,625)	(20,966)	(4,997)	**(28,586)**
Deferred tax liabilities	(4,184)	(1,817)	(4,010)	(3,981)	**(4,987)**
Other non-current liabilities	(4,300)	(2,668)	(3,755)	(1,784)	**(2,999)**
	(34,228)	(23,110)	(28,731)	(10,762)	**(36,572)**
Total liabilities	(107,989)	(92,065)	(102,663)	(110,221)	**(125,360)**
Net assets	98,963	110,088	105,923	120,966	**130,990**

1 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.
2 Restated for the finalisation of the fair value acquisition accounting for NuVision Engineering, Inc.

ALTERNATIVE PERFORMANCE MEASURES GLOSSARY

The Annual Report and Accounts include both statutory and Alternative Performance Measures (APMs). The principal APMs measure profitability excluding amortisation of acquired intangibles and items regarded by the Directors as non-recurring. In management's view, these APMs, which are generally referred to as 'adjusted' measures, better reflect the underlying performance of the business and therefore provide valuable additional information on the performance of the business. These 'adjusted' measures are used in the management and measurement of business performance on a day-to-day basis and are also used in assessing performance under the Group's incentive plans.

Alternative performance measure	Definition and comments
Adjusted EBITDA	Earnings before interest, tax, depreciation, amortisation, profit/(loss) on the disposal of property, plant and equipment, share of post-tax results of the associate and joint ventures and excluding non-recurring items. This measure is reconciled to statutory operating profit and statutory profit before taxation in note 2. EBITDA allows the user to assess the profitability of the Group's core operations before the impact of capital structure, debt financing and non-cash items such as depreciation and amortisation.
Adjusted operating profit	Operating profit after adding back items regarded by the Directors as non-recurring and amortisation of acquired intangible assets. This measure is reconciled to statutory operating profit in the income statement and note 2. Adjusted results excluding non-recurring items and amortisation of acquired intangible assets are presented because if included, these items could distort the understanding of the Group's performance for the year and the comparability between the years presented.
Adjusted profit before taxation	Profit before taxation after adding back items regarded by the Directors as non-recurring and amortisation of acquired intangible assets. This measure is reconciled to statutory profit before taxation in the income statement and note 2. Adjusted results excluding non-recurring items and amortisation of acquired intangible assets are presented because if included, these items could distort the understanding of the Group's performance for the year and the comparability between the years presented.
Adjusted earnings per share	Profit attributable to the equity holders of the Company after adding back items regarded by the Directors as non-recurring and amortisation of acquired intangible assets after tax divided by the weighted average number of ordinary shares in issue during the year. This is reconciled to basic earnings per share in note 10.
Adjusted diluted earnings per share	Profit attributable to the equity holders of the Company after adding back items regarded by the Directors as non-recurring and amortisation of acquired intangible assets after tax divided by the weighted average number of ordinary shares in issue during the year adjusted for the effects of any potentially dilutive options. Diluted earnings per share is shown in note 10.
Free cash flow	Cash generated from operating activities less maintenance capital expenditure. The calculation of free cash flow is shown on page 17 in the Strategic Report. Free cash flow indicates how much cash is available for the Group to utilise for expansionary capital investment, paying dividends, or financing/repaying borrowings.
Net Debt	The net position of the Group's and Company's cash at bank and borrowings including finance leases. Details of the movement in net debt is shown in note 32.

DIRECTORY OF OPERATIONS

Carr's Group plc
Old Croft, Stanwix, Carlisle, Cumbria CA3 9BA
Tel: 01228 554600
Web: www.carrsgroup.com

Agriculture

ACC Feed Supplement LLC*
5101 Harbor Drive, Sioux City, Iowa 51111 USA
Tel: 001 712 255 6927

Afgritech LLC*
810 Waterman Drive, Watertown, New York 13601 USA
Tel: 001 315 785 3625

AminoMax
Lansil Way, Lancaster, LA1 3QY
Tel: 01524 597 200

Animal Feed Supplement, Inc
East Highway 212, PO Box 188, Belle Fourche, South Dakota 57717 USA Tel: 001 605 892 3421

Animal Feed Supplement, Inc
PO Box 105, 101 Roanoke Avenue, Poteau, Oklahoma 74953 USA
Tel: 001 918 647 8133

Animal Feed Supplement, Inc
PO Box 569, 1700 US, 50 East, Silver Springs, Nevada 89429 USA
Tel: 001 775 577 2002

Animax Limited
Shepherds Grove West, Stanton, Bury St Edmund's, Suffolk IP31 2AR
Tel: 01359 252 181

Animax NZ Limited
86 Highbrook Drive, Auckland 2013, New Zealand

Bibby Agriculture*
Priory House, Priory Street, Carmarthen, SA31 1NE
Tel: 01267 232 041

Bibby Agriculture*
1A Network House, Badgers Way, Oxon Business Park, Shrewsbury, Shropshire, SY3 5AB
Tel: 01743 237 890

Caltech
Solway Mills, Silloth, Wigton, Cumbria CA7 4AJ
Tel: 016973 32592

Carrs Billington Agriculture (Operations)**
Warren Road, Brecon, Powys, LD3 8EF
Tel: 01874 623470

Carrs Billington Agriculture (Operations)**
Parkhill Road, Kingstown Industrial Estate, Carlisle CA3 0EX
Tel: 01228 518860

Carrs Billington Agriculture (Operations)**
Lansil Way, Lancaster LA1 3QY
Tel: 01524 597 200

Carrs Billington Agriculture (Operations)**
High Mill, Langwathby, Penrith CA10 1NB
Tel: 01228 518 860

Carrs Billington Agriculture (Operations)**
Lion Works, Pool Road, Newtown, Powys, SY16 3AG
Tel: 01686 626680

Carrs Billington Agriculture (Operations)**
Cold Meece, Stone, Staffordshire, ST15 0QW Tel: 01785 760 535

Carrs Billington Agriculture (Operations)**
Micklow House Farm, Eccleshall Road, Stone, Staffordshire, ST15 0BY Tel: 01782 374387

Carrs Billington Agriculture (Operations)**
Cilherwydd Store, Llanboidy, Whitland, Carmarthenshire, SA34 0LL
Tel: 01994 448209

Carrs Billington Agriculture (Operations)**
Pow Hill, Kirkbride, Wigton, Cumbria, CA7 5LF
Tel: 01697 352229

Carrs Billington Agriculture (Sales), Annan
2 Annan Business Park, Annan, Dumfriesshire DG12 6TZ
Tel: 01461 202772

Carrs Billington Agriculture (Sales), Appleby
Crosscroft Industrial Estate, Appleby, Cumbria CA16 6HX
Tel: 01768 352999

Carrs Billington Agriculture (Sales), Ayr
1A Whitfield Drive, Heathfield Ind Est, Ayr, Ayrshire, KA8 9RX
Tel: 01292 263635

Carrs Billington Agriculture (Sales), Bakewell
Unit 4-6, Kingfisher Building, Buxton Road, Bakewell, Derbyshire DE45 1GZ
Tel: 01629 814126

Carrs Billington Agriculture (Sales), Barnard Castle
Montalbo Road, Barnard Castle, Durham DL12 8ED
Tel: 01833 637537

Carrs Billington Agriculture (Sales), Berwick upon Tweed
29 Northumberland Road, Berwick upon Tweed, Tweedmouth, Northumberland TD15 2AS
Tel: 01289 307 245

Carrs Billington Agriculture (Sales), Brecon
Warren Road Stores, Warren Road, Brecon, Powys, LD3 8EF
Tel: 01874 623470

Carrs Billington Agriculture (Sales), Brock
Brockholes Way, Claughton Trading Estate, Lancaster Old Road, Claughton on Brock, Preston, PR3 0PZ
Tel: 01995 643 200

Carrs Billington Agriculture (Sales), Carlisle
Montgomery Way, Rosehill Estate, Carlisle CA1 2UY
Tel: 01228 520212

Carrs Billington Agriculture (Sales), Cockermouth
Unit 5, Lakeland Agricultural Centre, Cockermouth CA13 0QQ
Tel: 01900 824 105

Carrs Billington Agriculture (Sales), Gisburn
Pendle Mill, Mill Lane, Gisburn, Clitheroe, Lancashire BB7 4ES
Tel: 01200 445 491

Carrs Billington Agriculture (Sales), Hawes
Burtersett Road, Hawes, North Yorkshire DL8 3NP
Tel: 01969 667334

Carrs Billington Agriculture (Sales), Hexham
Tyne Mills Industrial Estate, Hexham, Northumberland NE46 1XL
Tel: 01434 605371

Carrs Billington Agriculture (Sales), Jedburgh
Mounthooly, Crailing, Jedburgh, TD8 6TJ
Tel: 01835 850250

Carrs Billington Agriculture (Sales), Kendal
Unit 1, J36, Rural Auction Centre, Crooklands, Milnthorpe, Kendal, Cumbria LA7 7FP
Tel: 01539 566035

Carrs Billington Agriculture (Sales), Leek
Macclesfield Road, Leek, Staffordshire ST13 8NR
Tel: 01538 383277

Carrs Billington Agriculture (Sales), Malton
31 Horsemarket, Malton, North Yorkshire YO17 7NB
Tel: 01653 600328

Carrs Billington Agriculture (Sales), Milnathort
Stirling Road, Milnathort, Kinross KY13 9UZ
Tel: 01577 862381

Carrs Billington Agriculture (Sales), Morpeth
Unit 20c, Coopies Lane Industrial Estate, Morpeth, Northumberland NE61 6JN
Tel: 01670 503930

Carrs Billington Agriculture (Sales), Morpeth (Greens)
Old Station Buildings, Coopies Lane, Morpeth, Northumberland, NE61 2SL Tel: 01670 518474

Carrs Billington Agriculture (Sales), Penicuik
4 Eastfield Park Road, Penicuik, Midlothian, EH26 8EZ
Tel: 01968 707040

Carrs Billington Agriculture (Sales), Penrith
Haweswater Road, Penrith Industrial Estate, Penrith, Cumbria CA11 9EU
Tel: 01768 866354

Carrs Billington Agriculture (Sales), Rothbury
The Store, Coquet View, Rothbury, Morpeth, Northumberland, NE65 7RZ
Tel: 01669 620320

Carrs Billington Agriculture (Sales), Selkirk
Dunsdale Haugh, Selkirk, Selkirkshire, TD7 5EF
Tel: 01750 720734

Carrs Billington Agriculture (Sales), Skipton
Skipton Auction Mart, Gargrave Road, Skipton, North Yorkshire BD23 1UD Tel: 01756 792166

Carrs Billington Agriculture (Sales), Spennymoor
Southend Works, Byers Green, Spennymoor, Durham, DL16 7NL
Tel: 01388 662266

Carrs Billington Agriculture (Sales), Stirling
Stirling Agricultural Centre, Stirling FK9 4RN
Tel: 01786 474826

Carrs Billington Agriculture (Sales), Wigton
Hopes Auction Co Ltd, Skye Road, Wigton, Cumbria, CA7 9NS
Tel: 016973 45874

Carrs Billington Agriculture (Sales), Wooler
Bridge End, South Road, Wooler, Northumberland, NE71 6QE
Tel: 01668 281567

Carr's Supplements (NZ) Limited
515a Wairakei Road, Burnside, Christchurch, 8053, New Zealand
Tel: 0064 03 974 9274

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

Carrs Billington Agriculture (Sales), Ludlow
Weeping Cross Lane, Ludlow Shropshire SY8 1JH
Tel: 01584 233109

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
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

Carr's Engineering Innovation Centre
Westlakes, Moor Row, Cumbria CA24 3TP Tel: 01946 313160

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

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

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

NW Total Engineered Solutions Limited
Andrews Way, Barrow in Furness, Cumbria LA14 2UE
Tel: 01229 811000

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

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

* 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
KPMG LLP
Quayside House,
110 Quayside,
Newcastle upon Tyne
NE1 3DX

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

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

DORMANT SUBSIDIARIES AT 31 AUGUST 2019

Company Name	Registered and Located	Ownership
B. E. Williams Ltd	England and Wales	51%[1]
Caltech Biotechnology Ltd	England and Wales	100%
Carrs Animal Feed Supplements Ltd	England and Wales	100%
Carrs Feeds Ltd	England and Wales	51%[1]
Carrs Fertilisers Ltd	England and Wales	100%
Carr's Group Corporate Trustee Ltd	England and Wales	100%
Carr's International Industries Ltd	England and Wales	100%
Carr's Milling Industries Ltd	England and Wales	100%
Carrs Milling Ltd	England and Wales	100%
Carrs Natural Feeds Ltd	England and Wales	100%
Chirton Engineering Ltd	England and Wales	100%
Forsyths of (Wooler) Ltd	England and Wales	51%[1]
Greens Flour Mills Ltd	England and Wales	100%
Horse and Pet Warehouse Ltd	Scotland	51%[1]
Johnstone Fuels and Lubricants Ltd	Scotland	51%[1]
Paul Chuter Agricultural Services Ltd	England and Wales	51%[1]
Pearson Farm Supplies Ltd	England and Wales	51%[1]
Phoenix Feeds Ltd	England and Wales	51%[1]
R Hind Ltd	England and Wales	100%
Reid and Robertson Ltd	Scotland	51%[1]
Robert Hutchison Ltd	England and Wales	100%
Safe at Work Ltd	England and Wales	51%[1]
Scotmin Nutrition Ltd	Scotland	100%
Simarghu Ltd	England and Wales	51%[1]
Walischmiller Solutions Ltd	England and Wales	100%
Wallace Oils Ltd	England and Wales	51%[1]
WM. Nicholls and Company (Crickhowell) Ltd	England and Wales	51%[1]

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.

Carr's Group plc
Old Croft
Stanwix
Carlisle CA3 9BA
United Kingdom